



DRAFT

ANNUAL BUDGET OF

ABAQULUSI MUNICIPALITY

2015/16 TO 2017/18

MEDIUM TERM REVENUE AND EXPENDITURE

FORECASTS

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Table of Contents

i.	ABBREVIATIONS AND ACRONYMS	i
	Adjustments Budgets – Prescribed in section 28 of the Municipal Finance Management Act, this is the formal means by which a municipality may revise its budget during a financial year.	i
	PART 1 – ANNUAL BUDGET	1
1.1	MAYOR’S REPORT	1
1.2	COUNCIL RESOLUTIONS	4
1.3	EXECUTIVE SUMMARY	5
1.4	OPERATING REVENUE FRAMEWORK	9
1.4.1	<i>Property Rates</i>	<i>1</i>
1.4.2	<i>Sale of Water and Impact of Tariff Increases</i>	<i>3</i>
1.4.3	<i>Sale of Electricity and Impact of Tariff Increases</i>	<i>4</i>
1.4.4	<i>Sanitation and Impact of Tariff Increases</i>	<i>5</i>
1.4.5	<i>Waste Removal and Impact of Tariff Increases</i>	<i>1</i>
1.4.6	<i>Overall impact of tariff increases on households</i>	<i>2</i>
1.5	OPERATING EXPENDITURE FRAMEWORK	5
1.5.1	<i>Priority given to repairs and maintenance</i>	<i>10</i>
1.5.2	<i>Free Basic Services: Basic Social Services Package</i>	<i>12</i>
1.6	CAPITAL EXPENDITURE	12
1.6.1	<i>Future operational cost of new infrastructure</i>	<i>15</i>
1.7	ANNUAL BUDGET TABLES	15
	PART 2 – SUPPORTING DOCUMENTATION	51
1.8	OVERVIEW OF THE ANNUAL BUDGET PROCESS	51
1.8.1	<i>Budget Process Overview</i>	<i>51</i>
1.8.2	<i>IDP and Service Delivery and Budget Implementation Plan</i>	<i>52</i>
1.8.3	<i>Financial Modelling and Key Planning Drivers</i>	<i>53</i>
1.8.4	<i>Community Consultation</i>	<i>54</i>
1.9	OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	55
1.10	MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS	69
1.10.1	<i>Performance indicators and benchmarks</i>	<i>75</i>
1.10.1.1	Borrowing Management	75
1.10.1.2	Safety of Capital	75
1.10.1.3	Liquidity	75
1.10.1.4	Revenue Management	76
1.10.1.5	Creditors Management	76
1.10.1.6	Other Indicators	76
1.10.2	<i>Free Basic Services: basic social services package for indigent households</i>	<i>77</i>
1.10.3	<i>Providing clean water and managing waste water</i>	<i>77</i>
1.11	OVERVIEW OF BUDGET RELATED-POLICIES	77
1.11.1	<i>Review of credit control and debt collection procedures/policies</i>	<i>78</i>
1.11.2	<i>Asset Management, Infrastructure Investment and Funding Policy</i>	<i>78</i>
1.11.3	<i>Budget Adjustment Policy</i>	<i>78</i>

1.11.4	<i>Supply Chain Management Policy</i>	78
1.11.5	<i>Budget and Virements Policy</i>	78
1.11.6	<i>Cash Management and Investment Policy</i>	78
1.11.7	<i>Tariff Policies</i>	79
1.11.8	<i>Financial Modelling and Scenario Planning Policy</i>	79
1.12	OVERVIEW OF BUDGET ASSUMPTIONS	79
1.12.1	<i>External factors</i>	79
1.12.2	<i>General inflation outlook and its impact on the municipal activities</i>	79
1.12.3	<i>Interest rates for borrowing and investment of funds</i>	80
1.12.4	<i>Collection rate for revenue services</i>	80
1.12.5	<i>Growth or decline in tax base of the municipality</i>	80
1.12.6	<i>Salary increases</i>	80
1.12.7	<i>Impact of national, provincial and local policies</i>	80
1.12.8	<i>Ability of the municipality to spend and deliver on the programmes</i>	81
1.13	OVERVIEW OF BUDGET FUNDING	81
1.13.1	<i>Medium-term outlook: operating revenue</i>	81
1.13.2	<i>Medium-term outlook: capital revenue</i>	86
1.13.3	<i>Cash Flow Management</i>	94
1.13.4	<i>Cash Backed Reserves/Accumulated Surplus Reconciliation</i>	97
1.13.5	<i>Funding compliance measurement</i>	100
1.13.5.1	Cash/cash equivalent position.....	102
1.13.5.2	Cash plus investments less application of funds	102
1.13.5.3	Monthly average payments covered by cash or cash equivalents.....	102
1.13.5.4	Surplus/deficit excluding depreciation offsets	102
1.13.5.5	Property Rates/service charge revenue as a percentage increase less macro inflation target	103
1.13.5.6	Cash receipts as a percentage of ratepayer and other revenue	103
1.13.5.7	Debt impairment expense as a percentage of billable revenue	103
1.13.5.8	Capital payments percentage of capital expenditure	103
1.13.5.9	Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions) ..	103
1.13.5.10	Transfers/grants revenue as a percentage of Government transfers/grants available	104
1.13.5.11	Consumer debtors change (Current and Non-current)	104
1.13.5.12	Repairs and maintenance expenditure level	104
1.13.5.13	Asset renewal/rehabilitation expenditure level	104
1.14	EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS	105
1.15	COUNCILLOR AND EMPLOYEE BENEFITS.....	108
1.16	MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW.....	114
TABLE 48	KZN263 SA25 - BUDGETED MONTHLY REVENUE AND EXPENDITURE	114
1.17	ANNUAL BUDGETS AND SDBIPs – INTERNAL DEPARTMENTS.....	124
1.17.1	<i>Water Services Department</i>	124
1.18	CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS	127
1.19	CAPITAL EXPENDITURE DETAILS	127
1.20	LEGISLATION COMPLIANCE STATUS	143
1.21	OTHER SUPPORTING DOCUMENTS.....	144
1.22	MUNICIPAL MANAGER'S QUALITY CERTIFICATE	ERROR! BOOKMARK NOT DEFINED.

List of Tables

Table 1 Consolidated Overview of the 2013/14 MTREF	9
Table 2 Summary of revenue classified by main revenue source Table 4 FinPerf RE.....	1
Table 3 percentage growth in revenue by main revenue source	1
Table 4 Operating Transfers and Grant Receipts	1
Table 5 Comparison of proposed rates to be levied for the 2013/14 financial year.....	2
Table 6 Proposed Water Tariffs	3
Table 7 Comparison between current water charges and increases (Domestic)	4
Table 8 Comparison between current electricity charges and increases (Domestic).....	4
Table 9 Comparison between current sanitation charges and increases	1
Table 10 Comparison between current sanitation charges and increases, single dwelling- houses.....	1
Table 11 Comparison between current waste removal fees and increases	2
Table 12 KZN263 Table SA14 – Household bills	3
Table 13 Summary of operating expenditure Table A4 by standard classification item	6
Table 14 Operational repairs and maintenance	10
Table 15 Repairs and maintenance per asset class – Schedule A9	11
Table 16 2013/14 Medium-term capital budget per vote – Schedule SA6	13
Table 17 KZN263 Table A1 - Budget Summary	16
Table 18 KZN263 Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification).....	22
Table 19 KZN263 Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)	25
Table 20 Surplus/ (Deficit) calculations for the trading services	28
Table 21 KZN263 Table A4 - Budgeted Financial Performance (revenue and expenditure)	29
Table 22 KZN263 Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.....	33
Table 23 KZN263 Table A6 - Budgeted Financial Position	35
Table 24 KZN263 Table A7 - Budgeted Cash Flow Statement.....	38
Table 25 KZN263 Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation	40
Table 26 KZN263 Table A9 - Asset Management.....	43
Table 27 KZN263 Table A10 - Basic Service Delivery Measurement.....	47
Table 28 IDP Strategic Objectives	56
Table 29 KZN263 Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue	66
Table 30 KZN263 Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure	67
Table 31 KZN263 Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure.....	68
Table 32 KZN263 Table SA7 - Measurable performance objectives	71
Table 33 KZN263 Table SA8 - Performance indicators and benchmarks	73

Table 34 Breakdown of the operating revenue over the medium-term	81
Table 35 Proposed tariff increases over the medium-term.....	83
Table 36 KZN263 SA15 – Detail Investment Information	84
Table 37 KZN263 SA16 – Investment particulars by maturity	85
Table 38 Sources of capital revenue over the MTREF	86
Table 39 KZN263 Table SA 17 - Detail of borrowings.....	88
Table 40 KZN263 Table SA 18 - Capital transfers and grant receipts.....	92
Table 41 KZN263 Table A7 - Budget cash flow statement	95
Table 42 KZN263 Table A8 - Cash backed reserves/accumulated surplus reconciliation.....	98
Table 43 KZN263 SA10 – Funding compliance measurement	101
Table 44 KZN263 SA 20 - Reconciliation between of transfers, grant receipts and unspent funds	107
Table 45 KZN263 SA22 - Summary of councillor and staff benefits.....	108
Table 46 KZN263 SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)	111
Table 47 KZN263 SA24 – Summary of personnel numbers	112
Table 48 KZN263 SA25 - Budgeted monthly revenue and expenditure	114
Table 49 KZN263 SA26 - Budgeted monthly revenue and expenditure (municipal vote)	116
Table 50 KZN263 SA27 - Budgeted monthly revenue and expenditure (standard classification)	117
Table 51 KZN263 SA28 - Budgeted monthly capital expenditure (municipal vote).....	119
Table 52 KZN263 SA29 - Budgeted monthly capital expenditure (standard classification).....	120
Table 53 KZN263 SA30 - Budgeted monthly cash flow	122
Table 54 Water Services Department - operating revenue by source, expenditure by type and total capital expenditure	125
Table 55 Water Services Department – Performance objectives and indicators	127
Table 56 KZN263 SA 34a - Capital expenditure on new assets by asset class	128
Table 57 KZN263 SA34b - Capital expenditure on the renewal of existing assets by asset class	131
Table 58 KZN263 SA34c - Repairs and maintenance expenditure by asset class	134
Table 59 KZN263 SA34d - Future financial implications of the capital budget.....	137
Table 60 KZN263 SA35 - Future financial implications of the capital budget.....	140
Table 61 KZN263 SA36 - Detailed capital budget per municipal vote	141
Table 62 KZN263 SA37 - Projects delayed from previous financial year	142
Table 63 KZN263 Table SA1 - Supporting detail to budgeted financial performance	144
Table 64 KZN263 Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department).....	149
Table 65 KZN263 Table SA3 – Supporting detail to Statement of Financial Position	151
Table 66 KZN263 Table SA9 – Social, economic and demographic statistics and assumptions	153
Table 67 KZN263 SA32 – List of external mechanisms	155

List of Figures

Figure 1 Main operational expenditure categories for the 2013/14 financial year	9
Figure 2 Capital Infrastructure Programme	15
Figure 3 Expenditure by major type.....	32
Figure 4 Depreciation in relation to repairs and maintenance over the MTREF	46
Figure 5 Planning, budgeting and reporting cycle	70
Figure 6 Definition of performance information concepts.....	70
Figure 7 Breakdown of operating revenue over the 2013/14 MTREF	82
Figure 8 Sources of capital revenue for the 2013/14 financial year	87
Figure 9 Growth in outstanding borrowing (long-term liabilities).....	91
Figure 10 Cash and cash equivalents / Cash backed reserves and accumulated funds	100

i. **ABBREVIATIONS AND ACRONYMS**

Adjustments Budgets – Prescribed in section 28 of the Municipal Finance Management Act, this is the formal means by which a municipality may revise its budget during a financial year.

Allocations – Money received from Provincial and National Treasury.

Budget – The financial plan of a municipality.

Budget related policy – Policy of a municipality affecting, or affected by, the budget. Examples include tariff policy, rates policy and credit control and debt policy.

Budget Steering committee – Committee established to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the MFMA.

Capital Expenditure – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the municipality, and the month end balances of cash and short-term investments.

CPI – Headline Consumer Price Index

DMTN – Domestic Medium Term Note

DORA – Division of Revenue Act. Annual legislation which shows the allocations from national to local government.

DORb – Division of Revenue Bill. Annual legislation tabled in parliament, but not enacted, which shows the allocations from national to local government.

Executive Management Team – A team comprising the Municipal Manager and the Executive Directors. It reports to the Municipal Manager.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted at assisting municipalities with the costs of free basic services.

GDFI - Gross Domestic Fixed Investment

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates comparisons between municipalities.

IDP – Integrated Development Plan. The main strategic planning document of a municipality.

KPI – Key Performance Indicators. Measures of service output and/or outcome.

MFMA - Municipal Finance Management Act (No 53 of 2003). The principal piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years.

MYPD – Multi Year Price Determination

NT – National Treasury

Operating Expenditure – The day-to-day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

Portfolio Committee – In line with Section 79 of the Structures Act, the Municipality's Portfolio Committees process policies and bylaws relating to the functional areas within their terms of reference, and are responsible for implementation monitoring of these, as well as oversight of the functional areas. Portfolio Committees are also responsible for assessing and monitoring services delivery, ensuring that annual budgets are spent wisely, and that there is no wastage or corruption.

Rates – Local Government tax based on assessed valuation of a property.

TMA – Total Municipal Account

SCM - Supply Chain Management

SDBIP – Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

SFA – Strategic Focus Areas. The main priorities of a municipality as set out in the IDP. Budgeted spending must contribute towards achievement of these Strategic Focus Areas.

Vote – One of the main segments into which a budget is divided, usually at directorate level.

Part 1 – Annual Budget

1.1 Mayor's Report

During the State of the National Address the President remarked that it is the year of going the extra mile in building a united, democratic, non-racial, non-sexist and a prosperous South Africa.

The President further stated that the country is again facing a difficult economic climate due to slow global growth and domestic constraints in energy, skills, transport and logistics. However, the investment in youth employment is paying off as well as the environmental programmes such as Working on Waste, Working for Water and Working on Fire have created main work opportunities and aim to create more in the 2015/2016 financial year.

The economy needs a push forward and we need to implement the nine point plan to ignite growth and create jobs and they are:

- Resolving the energy challenge
- Revitalising agriculture
- Adding value to our mineral wealth
- More effective implementation of a higher impact Industrial Policy Action Plan
- Encouraging private sector investment
- Moderating workplace conflict
- Unlocking the potential of SMME's, cooperatives, township and rural enterprises
- State reform and boosting the role of state owned companies, information and communications technology (ICT) infrastructure, water, sanitation and transport infrastructure
- Operation Phakisa aimed at growing the ocean economy and other sectors

The country is currently experiencing serious energy constraints which are hampering economic growth and is a major inconvenience to everyone. Overcoming the challenge must be upmost on our programs. A plan needs to be developed which involves short, medium and long term responses. Electricity distribution and managing the electricity demand by improving maintenance and finalising the energy security master plan is priority. All individuals, households, industries and government departments are urged to save electricity in order to reduce the need for load shedding. All government buildings are to be made energy efficient.

The government has also made a commitment in last year's SoNA to revitalise distressed mining towns and a lot of progress has been made.

Water is a critical resource for economic growth and a better life. Several projects aimed at providing water for industrial and household use are in the implementation or planning phases around the country. To mitigate the challenge of water losses the Government Department of Water and Sanitation will train 15 000 artisans or plumbers who will fix leaking taps in their local communities.

The infrastructure program continues to improve roads.

The President further stated we have to continue working harder together to fight crime and create safer communities. The fight against corruption continues to move forward. Building a caring, effective and responsive state will be prioritised.

Local government is everybody's business and we have to make it work. The "Back to Basics" program has been launched to promote good governance and effective administration through cutting wastage, spending public funds wisely, hiring competent staff and ensuring transparency and accountability in the municipality.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities.

The challenge is to do more with the limited resources available. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

Money has been taken away from programmes that are not performing or are not aligned to government's core priorities and given to programmes that are delivering as planned.

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that sustainable municipal services are provided economically and equitable to all communities. We must ensure value for money with the greatest possible vigour to ensure rate payers money is well used and not wasted. We need to do more with less. The efficiencies that are achieved will protect municipal finances and enable the municipality to accelerate development when economic conditions improve. The municipality must in terms of MFMA Circular 74 ensure that efficiency gains, eradication relating to core infrastructure continue to inform the planning framework of the municipality.

On tabling the KZN Provincial Budget in 2015, MEC for Finance Ms B Scott mentioned the domestic and global shocks the country is facing including the weak demand from the country's main trading partners, and delays in fixing infrastructure gaps, including electricity constraints are among the factors affecting growth prospects. Other things include lower revenue collection and fewer employment prospects. Unfortunately provincial conditional grant allocations are being affected by the fiscal consolidation cuts.

There is no doubt that with lower economic growth prospects and the Eskom challenges there are tough times ahead. We need to keep our eyes on the ball and maintain our focus on achieving good financial discipline.

The Provincial cost-cutting measures have been reviewed and their relevance assessed which has resulted in new cost-cutting measures being added and circulated to departments and municipalities are advised to implement similar measures. The MEC announced the following ways of cutting down on wasteful expenditure:

- A review of all organigram, a head count exercise and a moratorium on the filling of non-critical posts.
- Freeze budgets for non-essential goods and services

- Limit the costs for community events and no musicians or performing artists be used at these events.
- No tracksuits, t-shirts or other promotional materials be handed out at events.
- VIP catering is kept to a minimum and only for specifically invited dignitaries and not government employees.
- Furniture and equipment purchases be approved by the Accounting Officer and CFO. All furniture and equipment be standardised according to staff designations.
- Explore energy saving projects with an aim of reducing electricity and water usage.
- Timeous planning to ensure market related prices are charged by service providers
- Database of local service providers per municipality and fixed prices per commodity to ensure exorbitant prices are not charged.
- S&T – only essential trips to be undertaken. Review the allowances for all categories of S&T.
- Departments to develop an integrated annual calendar so that meetings and workshops are properly co-ordinated to reduce travel costs.
- Ensure that meetings start at a reasonable time to reduce the need to sleep over.
- Number of officials attending events to be kept at an absolute minimum
- Essential training to be done in-house
- Catering for meetings to be stopped
- Officials to travel together unless absolutely unavoidable
- Meetings to be carefully planned and the number of meetings rationalised, saving both time and money and strategic planning sessions, workshops be held in departmental offices instead of private venues.
- No bottled water may be procured for meetings.
- No team building exercises or year-end/Christmas functions.
- No leave conversion payments to be made
- Overtime to be strictly controlled and only used when absolutely essential.
- When printing reports departments must minimise the use of colour pages in their documents, look at a lighter weight of pages and covers. Look at the feasibility of using electronic distribution (e.g. compact discs).

According to the International Monetary Fund (IMF), “When public investment in infrastructure is inefficient, higher levels of spending may simply lead to larger budget deficits, without increasing the quantity or quality of roads and other public assets that can help support economic growth.” For effective and efficient infrastructure delivery the province will be introducing the Infrastructure Delivery Management System (IDMS) to ensure proper planning, budgeting, procurement, delivery, maintenance, operation, monitoring and evaluation of infrastructure.

In conclusion the MEC stated that fiscal discipline is what has helped deal with the fiscal consolidation cuts without dramatically affecting service delivery, however she believes where is more that can be done to ensure key strategic priorities are correctly funded and the continuation of cost-cutting and not being scared to make tough decisions in difficult times.

1.2 Council Resolutions

On 31 March 2015 the Council of Abaqulusi Municipality Local Municipality met in the Council Chambers of Abaqulusi Municipality to consider the draft annual budget of the municipality for the financial year 2015/16. The Council noted the following draft resolutions:

1. The Council of Abaqulusi Municipality Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 on page 24;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
 - 1.2.4. Asset management as contained in Table 26 on page 36; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.
2. The Council of Abaqulusi Municipality Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:
 - 2.1. the tariffs for property rates – as set out in Annexure A, this resolution must be promulgated in the provincial gazette upon ratification of the budget decision. Failure to comply with this promulgation process may render the cent in the Rand unenforceable for a particular financial year; and consequently uncollectable.
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for the supply of water – as set out in Annexure C

- 2.4. the tariffs for sanitation services – as set out in Annexure E
- 2.5. the tariffs for solid waste services – as set out in Annexure F
3. The Council of Abaqulusi Municipality Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for other services, as set out in Annexure G1 to G21 respectively.
4. To give proper effect to the municipality's annual budget, the Council of Abaqulusi Municipality Local Municipality approves:
- 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
5. The Council of Abaqulusi Municipality Local Municipality approves and adopts with effect from 1 July 2015 all budget related policies.
6. The MFMA Circular No 72 indicates that all municipalities must formulate service level standards which must form part of the 2015/16 tabled MTREF budget documentation. The service level standards need to be tabled before the Council for formal adoption.

The setting of standards is an integral part of the service delivery value chain. It provides transparency in understanding performance indicators and strengthens the entire performance management system. In addition it ensures accountability on the part of the officials responsible for providing the service.

Local government is mostly classified in the service delivery and governance category and as such needs to be clear on what the public at large can expect as a service delivery standard. Rate payers must be placed in a position by which they are able to measure the service outputs against the predetermined service standards. This also serves as a performance rating instrument at an organisational and individual level.

It is for this reason that the municipality must adopt service standards as part of our strategic objectives and report on the achievements.

The service standards must at a minimum incorporate the administrative, technical and economic development categories of the municipality.

The following are to be considered for use:

Administrative service standards

- Turnaround time in dealing with correspondence received
- Turnaround time in opening a consumer account
- Technical service standards

- Turnaround time in dealing with reported incidents (water leakage, potholes, power outages, etc.)
- Turnaround time in restoring water and electricity connectivity

Economic development service standards

- Turnaround time in processing rezoning applications
- Turnaround time in processing building plans
- Turnaround time in processing special business applications

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate funds will be transferred from low- to high priority programmes so as to maintain sound financial stewardship. A critical review will also be undertaken of expenditure on non-essential and 'nice-to-have' items. 2015/16 MTREF was drafted in context of an economy that is projected to grow supported by expanding public sector investment in infrastructure and the activation of new electricity-generating capacity.

The budget for the 2015/16 MTREF period was based on the realisation that revenues and cash flows are expected to remain under pressure in 2015/2016 and the municipality must adopt a conservative approach when projecting expected revenues and cash receipts. The municipality must further in terms of MFMA Circular 74 and 75 carefully consider the affordability of tariff increases especially in relation to domestic consumers which makes up the bulk of the municipality's revenue base whilst considering the level and quality of services versus the associated cost.

The budget was compiled by ensuring that the financial management processes are transparent, aligned to the accountability cycle and facilitate good governance that is accountable to the local community. Public perception shows high levels of unhappiness with service delivery and perceived corruption at municipalities and sound leadership is required as well as measures put in place to address mismanagement by implementing effective systems to measure, monitor and evaluate performance.

The budget supports the provision of basic services to the communities, facilitating social and economic development, promoting a safe and healthy environment in a sustainable manner.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarised as follows:

- Ensuring the timely delivery of capital programmes (eliminate under-spending of capital budgets) and to review all by-laws and development approval processes with a view of removing any bottlenecks to investment and job creation.

- Under spending on repairs and maintenance – often seen as a way to reduce short term spending which shortens the life of assets, increases long term maintenance and refurbishment costs and causes a deterioration in the reliability of our infrastructure
- Spending on non-priorities – including unnecessary travel, luxury furnishings, excessive catering and the use of consultants to perform routine tasks.
- The increased cost of bulk electricity due to tariff increases from ESKOM. This is placing pressure on the budget as the tariff the municipality has been allowed to charge is less than the bulk cost meaning there are less funds available for maintenance. Continuous high increases are not sustainable as it gets to a point where services are no longer affordable.
- Not just employing more people without any reference to the level of staffing required delivering effective services. The municipality must through fully participating in the Expanded Public Works Program focus on maximizing its contribution to job creation by ensuring that service delivery and capital projects use labour intensive methods wherever appropriate and implement interns programmes to provide young people with on-the-job training.
- Collecting outstanding debts – this requires political commitment, sufficient administration capacity and pricing policies that ensure that bills are accurate and affordable.
- Pricing services correctly – the full cost of services must be reflected in the tariffs charged to consumers who can afford to pay. Overly generous subsidies and rebates that result in services running at a loss cannot be entertained.

The following budget principles and guidelines directly informed the compilation of the draft 2015/16 MTREF:

- The 2014/15 Adjustment Budget priorities and targets, as well as the base line allocations contained in the Adjustment Budget.
- Service level standards were used to inform the measurable objectives, targets and backlog eradication goals.
- Tariff and property rate increases should be affordable and try not to exceed inflation as measured by the CPI, except where the price increases in the services that are beyond the control of the municipality, i.e. ESKOM.
- No budget has been allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the Division of Revenue Act gazette.

National Treasury has issued a Circular (MFMA Circular No 64) giving guidance to municipalities of what should be done to maximise the revenue generating potential of existing sources of revenue such as property rates and trading services. Further Circulars will be issued by National Treasury to guide municipalities in developing credible revenue frameworks by

reaffirming the fundamental principles of costing, revenue management and revenue enhancement.

Revenue management is described as a fundamental and routine financial management function of the municipality's revenue generating business that includes billing and collection activities in respect of trading services and property rates.

Revenue enhancement is about improving by making more, in the case of municipal revenue it is associated with increasing the value of revenue generated. Revenue enhancement can be broken into two components. The first being national policy developments that give rise to additional sources of revenue from government (grant funding) and the second component is the ability of the municipality to grow its own revenue base.

MFMA Circular No 58 advises that the municipality must ensure that the billing systems are accurate; accounts are sent out to residents on a monthly basis and follow-up to collect revenue owed to the municipality.

In terms of MFMA Circular No 64 the main responsibility of the municipality is to deliver services. In terms of Section 75A of the Municipal Systems Act the municipality is allowed to levy and recover fees, charges or tariffs in respect of municipal service delivery functions and recover collection charges and interest on outstanding amounts. The municipality must adopt by-laws to give effect to the implementation and enforcement of the tariff policies.

Revenue generation is everyone's responsibility, not just that of the revenue section. The municipality must effectively manage all functions that impact protecting and growing the revenue base. The implementation of internal controls along the revenue value chain will aid effective data handovers; utilising system data validation mechanisms and ensuring that service level standards are fundamental to ensuring the integrity of the billing data but are advised to stay away from costly data cleansing exercises.

The following are fundamental to maximising the existing revenue:

- Billing system that correctly reflects all billing and customer information required to issue accurate accounts to consumers.
- All property within the municipal jurisdiction must be correctly valued and the billing system must be updated with any change in property ownership. This is necessary to protect and grow the property rates base.
- Effective business processes to ensure new property development as well as improvements to existing properties are valued as required.
- Correct categorisation of properties.
- Water and electricity meter numbers must be recorded correctly and linked to corresponding property.
- Continual maintenance of water and electricity meters to minimise losses due to leakages or incorrectly metered consumption.
- Accurate meter reading and minimising the amount of meter reading estimates.
- Refuse and sanitation service charges must be included in all billing records and the municipality must ensure these services are not run at a loss.
- Billing queries to be resolved within reasonable timeframes.
- Municipal functions must be adequately staffed with competently skilled individuals who understand the job requirements and how to deliver on it.

The Circular further advises municipalities to table 'surplus' budgets. To achieve this the municipality must ensure cost reflective tariffs; operation efficiencies; maximising revenue regenerating potential of own revenue sources and a productive workforce and sound decision making to ensure that the limited financial resources are spent wisely so that value for money is achieved.

National Treasury's MFMA Circular No. 66, 67, 72, 74 and 75 was used to guide the compilation of the 2015/16 MTREF.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/16 MTREF

	Adjustment Budget 2014 / 2015	Budget Year 2015 / 2016	Budget Year + 2016 / 2017	Budget Year +2 2017 / 2018
	R Thousand	R Thousand	R Thousand	R Thousand
Total Operating Revenue	477,428	511,779	546,786	583,073
Total Operating Expenditure	509,065	543,097	577,872	609,274
<i>(Surplus) / Deficit for the Year</i>	<i>31,637</i>	<i>31,318</i>	<i>31,086</i>	<i>26,201</i>
Total Capital Expenditure	43,158	53,566	55,885	58,861

Total operating revenue has increased by R 34,3 million for the 2015/16 financial year when compared to the 2014/15 Adjustment Budget. For the two outer years, operational revenue will increase, equating to a total revenue growth of R 105,6 million over the MTREF when compared to the 2014/15 financial year.

Total operating expenditure for the 2015/16 financial year has been appropriated at R 543 million and translates into a budgeted operating deficit of R 31 million for non-cash items. When compared to the 2014/15 Adjustment Budget, operational expenditure has increased by 6, 6% in the 2015/16 budget and increases for each of the respective outer years of the MTREF.

The capital budget of R 53,5 million for 2015/16 is 24% more when compared to the 2014/15 Adjustment Budget. The increase is due to additional grant funding from MIG and funding from revenue for projects that were shelved in the previous financial year due to affordability constraints now being urgently required and although more was requested could not be allocated due to current economic circumstances. The capital program increases to R 55,8 million in the 2016/17 financial year due and then increases to R58,8 million in 2017/18 due to an increase in MIG & INEG. A portion of the capital budget will be funded from internally generated funds in each of the financial years of the MTREF. Capital from government grants and transfers amounts to R 53,5 million which is R 10,5 million MORE than the 2014/15 financial year. MIG amounting to R 35,5 million and INEG of R 19 million with capital from own funds of R 11 million

1.3 Operating Revenue Framework

For Abaqulusi Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will

inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipal area and continued economic development;
- Efficient revenue management, which aims to ensure a 92 % annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

KZN263 Abaqulusi - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	35 095	41 574	49 844	55 650	55 750	48 265	36 199	60 210	63 522	66 888
Property rates - penalties & collection charges		881	851	1 306	1 400	1 900	1 657	1 243	1 484	1 566	1 649
Service charges - electricity revenue	2	116 770	127 281	140 204	161 919	155 330	132 186	100 717	172 517	189 769	208 746
Service charges - water revenue	2	23 241	30 842	36 128	39 759	47 587	36 044	27 039	50 290	55 318	60 850
Service charges - sanitation revenue	2	14 809	16 411	19 208	22 170	22 091	24 864	18 652	24 685	27 153	29 869
Service charges - refuse revenue	2	11 496	12 232	13 953	16 136	16 136	14 216	10 662	18 238	20 062	22 068
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		651	800	1 189	1 305	1 315	1 196	900	1 387	1 463	1 542
Interest earned - external investments		3 522	3 970	4 369	4 254	2 670	2 549	1 902	3 406	3 593	3 783
Interest earned - outstanding debtors		17	9	5	–	15	14	11	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		1 497	1 982	9 375	2 240	1 506	714	600	3 006	3 172	3 340
Licences and permits		6 207	5 216	4 415	5 428	4 100	3 648	2 795	4 338	4 576	4 823
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		91 325	116 751	163 051	106 545	126 579	109 046	81 784	114 030	115 832	115 534
Other revenue	2	1 264	1 801	43 172	4 453	42 449	36 713	36 041	58 188	60 785	63 981
Gains on disposal of PPE		956	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		307 732	359 720	486 219	421 259	477 428	411 113	318 543	511 779	546 812	583 073

Table 3 % growth in revenue by main revenue source***Not applicable***

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant % of the revenue basket for the Municipality.

Service charge revenues comprise more than 51,9% of the total revenue mix. In the 2015/16 financial year, revenue from services charges is expected to total R 265,7 million. This increases to R292,3 million and R 321,5 million in the respective financial years of the MTREF. This can be mainly attributed to the increased cost of bulk electricity due to rapid increases in the Eskom tariffs for bulk electricity and consumers using less electricity due to the cost. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 KZN263 SA1 (see page 99).

Property rates is the second largest revenue source totalling 12,1 % or R 61,6 million rand and increases to R 68,5 million by 2017/18.

The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related. The anticipated revenue from other revenue is R 13,4 million.

Operating grants and transfers totals R 126,5 million in the 2014/15 financial year and increases to R 167,5 million for 2015/16. Note that the year-on-year growth is 5, 5% and 5, 3% in the two outer years.

The municipality hopes to receive additional funding which will be applied to address:

- Compensation for rising costs of providing free basic water and electricity to poor households.
- Accelerate provision of access to clean water through bulk and reticulation projects.
- Accelerate provision of access to electricity and improving the sustainability of access through the refurbishment of key infrastructure.
- Expand the collection and use of data on the condition of municipal roads.
- Increase the number of interns with infrastructure-related skills. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts – Table SA18 – Transfer & Grant Receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:	1, 2									
-										
<u>Operating Transfers and Grants</u>										
National Government:		71 758	96 444	101 839	108 344	109 060	106 119	128 640	131 262	131 779
Local Government Equitable Share		69 308	84 293	89 399	95 434	96 150	93 129	106 693	108 185	107 469
		–	–	–	–	–	–	–	–	–
Finance Management		1 450	1 500	1 550	1 600	1 600	2 103	1 600	1 625	1 700
Municipal Systems Improvement		1 000	800	890	934	934	511	930	957	1 033
Integrated National Electrification Programme		–	9 000	9 000	9 000	9 000	9 000	18 000	19 000	20 000
EPWP Incentive		–	851	1 000	1 376	1 376	1 376	1 417	1 495	1 577
Other transfers/grants [insert description]		–	–	–	–	–	–	–	–	–
Provincial Government:		1 486	1 565	5 647	7 101	13 953	12 203	3 295	3 470	3 645
Sport and Recreation		–	–	150	2 250	1 750	–	–	–	–
Museum		125	134	143	299	151	151	166	175	184
Small Town Rehabilitation						7 500	7 500			
Massification: Water Infrastructure										
Community Library Services		186	197	240	252	252	252	340	358	377
Provincialisisation of Libraries		1 175	1 234	2 592	2 700	2 700	2 700	2 789	2 937	3 084
EDI										
MAP										
Thusong Centre				2 522	1 250	1 250	1 250			
Schemes Support Grant					350	350	350			
District Municipality:		100	100	50	100	100	–	100	100	100
[insert description]		–	–	–	–	–	–	–	–	–
ZDM Tourism Grant		100	100	50	100	100	–	100	100	100
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Operating Transfers and Grants	5	73 344	98 109	107 536	115 545	123 113	118 322	132 035	134 832	135 524
<u>Capital Transfers and Grants</u>										
National Government:		16 494	22 801	29 907	34 158	34 158	34 158	35 566	36 885	38 861
Municipal Infrastructure Grant (MIG)		16 494	22 801	29 907	34 158	34 158	34 158	35 566	36 885	38 861
Other capital transfers/grants [insert desc]		–	–	–	–	–	–	–	–	–
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Capital Transfers and Grants	5	16 494	22 801	29 907	34 158	34 158	34 158	35 566	36 885	38 861
TOTAL RECEIPTS OF TRANSFERS & GRANTS		89 838	120 910	137 443	149 703	157 271	152 480	167 601	171 717	174 385

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. The municipality must however take into account the labour and other input costs of services, the need to ensure financial sustainability, local economic conditions, the affordability of services, the indigent policy. An appropriate balance between the interests of poor households, other consumers and financial sustainability needs to be maintained as excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of ESKOM bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability. Based on NERSA's approval of an 14,24% increase to Eskom municipalities are advised in MFMA Circular 74 to formulate electricity tariff structures based on an increase of 12,69%.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.3.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The percentage increase for property rates is 7%. All households receive a rebate on the first R 15,000 and indigent residents a further R 65,000.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 % rebate will be granted to registered indigents in terms of the Indigent Policy;

- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 % (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 % grant-in-aid on the assessment rates of rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a 7 % increase from 1 July 2015 is contained below:

Table 5 Comparison of proposed rates to be levied for the 2015/16 financial year

Category	Current Tariff (1 July 2014)	Proposed tariff (from 1 July 2015)
	C	C
Residential properties	0,0066124	0,0070753
State owned properties	0,0165309	0,0176882
Business & Commercial	0,0165309	0,0176882
Agricultural	0,0016532	0,0017689
Vacant land	0,0165309	0,0176882
Municipal rateable – Residential	0,0066124	0,0070753
Industrial	0,0165309	0,0176882
Non-permitted use/Illegal usage	0,0165309	0,0176882
Public benefit organisation properties	0,0016532	0,0017689
Special consent	0,0165309	0,0176882

1.3.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2015.

To mitigate the need for water tariff increases, municipalities are encouraged to put in place appropriate strategies to limit water losses to acceptable levels. Water losses have decreased from 54,79% in 2012/13 to 39,8% in 2013/14 but increased to 49,56% in 2014/15.

Zululand District Municipality as well as Abaqulusi municipality has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that the current infrastructure is unlikely to sustain its long-term ability to supply water and the District Municipality will have no other choice but to provide funding for infrastructure upgrades.

A tariff increase of 10 % from 1 July 2015 for water is proposed. In addition 6 kl water per 30-day period will again be granted free of charge to all indigent community members.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2014/15	PROPOSED TARIFFS 2015/16
	Rand per kl	Rand per kl
RESIDENTIAL		
(i) 0 to 6 kl per 30-day period	7.84	8.63
(ii) 6.01 to 30 kl per 30-day period	7.84	8.63
(iii) 30.01 to 99 kl per 30-day period	8.48	9.33
(iv) More than 99.01 per 30-day period	9.75	10.72
BUSINESS		
(i) 0 to 6 kl per 30-day period	7.84	8.63
(ii) 6.01 to 30 kl per 30-day period	7.84	8.63
(iii) 30.01 to 99 kl per 30-day period	8.48	9.33
(iv) More than 99.01 per 30-day period	9.75	10.72

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 7 Comparison between current water charges and increases (Domestic)

Monthly consumption	Current amount payable	Proposed amount payable	Difference (Increase)	Percentage change
kℓ	R	R	R	
20	155.85	172.60	16.75	10%
30	233.77	258.90	25.13	10%
40	318.65	373.20	54.55	10%
50	403.54	466.50	62.96	10%
80	658.19	746.40	88.21	10%
100	829.19	1072.00	242.81	10%

The tariff structure of the 2014/15 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R10.72 per kilolitre for consumption in excess of 99kℓ per 30 day period.

1.3.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. Eskom has submitted a request for an 14,24 % increase in the ESKOM bulk electricity tariff to municipalities which will be effective from 1 July 2015 but NERSA only approved a 12,69% increase for municipalities.

NERSA for the past 4 years in a row that Eskom allowed to increases its tariff to municipalities higher than what municipalities could charge their consumers and this continues to have a negative impact on the municipality's revenue from electricity and is starting to impact on the maintenance of the electrical infrastructure and the section continues to show a deficit. An analysis of the municipality's consumption patterns is being done to calculate more accurate tariffs and submitted to NERSA for approval. The tariff increase is 15% to ensure the section is ring fenced.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

Table 8 Comparison between current electricity charges and increases (Domestic) `

DESCRIPTION	APPROVED TARIFFS 2014/2015	PROPOSED TARIFFS 2015/2016 15.00%	PROPOSED TARIFFS 2016/2017 10%	PROPOSED TARIFFS 2017/2018 10%
<u>Domestic (Conventional)</u>				
Basic charge	R 56.088	R 64.49	R 70.94	R 78.04
Demand side management levy				
Network charge				
Cost per unit kWh - 0-50kwh - step tariff 8%	R 0.75	R 0.86	R 0.95	R 1.04
Cost per unit kWh - 051-350kwh -step tariff 15%	R 0.97	R 1.12	R 1.23	R 1.35
Cost per unit kWh - 351-600kwh - step tariff 18%	R 1.30	R 1.51	R 1.64	R 1.51
Cost per unit kWh - >600kwh - step tariff 25%	R 1.54	R 1.77	R 1.95	R 2.14

The step tariff advised by NERSA and implemented since July 2011 results that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner municipality reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines. Electricity losses have decreased from 24,84% in 2012/13 to 20,46% in 2013/14 and for 2014/15 the estimated loss is 19,44%.

The approved budget for the Electricity Section can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R15 million per year for five years will be necessary to steer the Municipality out of this predicament. It must be noted that ESKOM will receive an amount of R36,3 million to perform electrification and this will then have to be maintained by the municipality.

In addition the section must raise awareness and promote behaviour change through communication and education to ensure the 10% reduction in energy consumption is achieved. A renewable and cleaner energy plan has to be developed, monitored, evaluated and updated annually. To upgrade street lights to LED fittings and other energy efficiency projects is a costly exercise for which funding must be sourced.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

1.3.3 Sanitation and Impact of Tariff Increases

A tariff increase of 10 % for sanitation from 1 July 2015 is proposed. This section is currently operating at a deficit and it is generally accepted that all service departments should at least break even. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 10% of waste water treatment input costs, therefore the higher than CPI increase of 10 % for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (100 % of 6 kl water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R24,6 million for the 2015/16 financial year.

The following table compares the current and proposed tariffs:

Table 9 Comparison between current sanitation charges and increases

CATEGORY	CURRENT TARIFF 2014/15		PROPOSED TARIFF 2015/16	
	% DISCHARGED	TARIFF PER kl	% DISCHARGED	TARIFF PER kl
		R		R
0 – 30 kl per 30-day period	75	6.08	75	6.40
30.01 – 99 kl per 30-day period	75	7.02	75	7.38
99.01 and above kl per 30-day period	75	7.54	75	7.94

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

Table 10 Comparison between current sanitation charges and increases, single dwelling-houses

Monthly sanitation consumption kl	Current amount Payable R	Proposed amount Payable R	Difference (10% increase) R
30	245.33	269.86	24.53
30.01 to 99	483.64	532.00	48.36
99.01 and above	483.64	532.00	48.36

1.3.4 Waste Removal and Impact of Tariff Increases

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The service of refuse collection is outsourced which is the main contributor of expenditure as well as the cost of remuneration. This section is budgeted to have a deficit. It is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.

A 10 % increase in the waste removal tariff is proposed from 1 July 2015. Higher increases will not be viable in 2015/16 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 10 % can be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2015:

Table 11 Comparison between current waste removal fees and increases

	WASTE REMOVAL 2014/15	WASTE REMOVAL 2015/16
Tariff per container/household per month or part of a month: Areas serviced by means of: (Tariff is multiplied by the number of service rounds per week and the number of containers/households.)	Per month (R)	
Residential	72.34	79.57
Businesses per container	223.68	246.05
Businesses bulk container	2242.27	2466.50

1.3.5 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7 and 15 %, with the increase for indigent households closer to 10 %.

In terms of Section 64 2(g) of the MFMA a Municipality must for the purposed of the subsection take reasonable steps to ensure

- (g) *that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework;*

Table 12 KZN263 Table SA14 – Household bills

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16 % incr.	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Rand/cent											
<u>Monthly Account for Household - 'Middle Income Range'</u>	1										
Rates and services charges:											
Property rates		386.00	424.60	450.08	475.28	475.28	475.28	7.0%	508.55	536.52	563.35
Electricity: Basic levy		34.28	43.20	50.98	56.08	56.08	56.08	15.0%	64.49	70.94	78.04
Electricity: Consumption		952.81	1 057.90	1 248.32	1 373.15	1 373.15	1 373.15	15.0%	1 579.12	1 737.03	1 910.74
Water: Basic levy			26.30	30.20	33.22	33.22	33.22	10.0%	36.54	40.20	44.22
Water: Consumption		168.54	185.39	213.20	234.52	234.52	234.52	10.0%	257.97	283.77	312.15
Sanitation		69.22	76.10	87.52	96.27	96.27	96.27	10.0%	105.90	116.49	128.14
Refuse removal		51.57	54.70	62.91	69.20	69.20	69.20	10.0%	76.12	83.73	92.11
Other											
sub-total		1 662.42	1 868.19	2 143.21	2 337.72	2 337.72	2 337.72	12.4%	2 628.70	2 868.68	3 128.72
VAT on Services		232.74	261.55	300.05	327.28	327.28	327.28		368.02	401.62	438.02
Total large household bill:		1 895.16	2 129.74	2 443.26	2 665.00	2 665.00	2 665.00	12.4%	2 996.71	3 270.30	3 566.74
% increase/-decrease			12.4%	14.7%	9.1%	-	-		12.4%	9.1%	9.1%
<u>Monthly Account for Household - 'Affordable Range'</u>	2										
Rates and services charges:											
Property rates		214.20	235.62	249.76	263.75	263.75	263.75	7.0%	282.21	297.73	312.62
Electricity: Basic levy		34.28	43.20	50.98	56.08	56.08	56.08	15.0%	64.49	70.94	78.04
Electricity: Consumption		407.99	452.99	534.53	587.98	587.98	587.98	15.0%	676.18	743.79	818.17
Water: Basic levy			26.30	30.20	33.22	33.22	33.22	10.0%	36.54	40.20	44.22
Water: Consumption		140.45	154.50	177.68	195.45	195.45	195.45	10.0%	215.00	236.49	260.14
Sanitation		69.22	76.10	87.52	96.27	96.27	96.27	10.0%	105.90	116.49	128.14
Refuse removal		51.57	54.70	62.91	69.20	69.20	69.20	10.0%	76.12	83.73	92.11
Other											
sub-total		917.71	1 043.41	1 193.58	1 301.95	1 301.95	1 301.95	11.9%	1 456.44	1 589.38	1 733.43
VAT on Services		128.48	146.08	167.10	182.27	182.27	182.27		203.90	222.51	242.68

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16 % incr.	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Rand/cent											
Total small household bill:		1 046.19	1 189.49	1 360.68	1 484.22	1 484.22	1 484.22	11.9%	1 660.34	1 811.89	1 976.11
% increase/-decrease			13.7%	14.4%	9.1%	-	-		11.9%	9.1%	9.1%
-				0.05	0.37	1.00	-				
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates								7.0%	-	-	-
Electricity: Basic levy		34.28	43.20	50.98	56.08	56.08	56.08	15.0%	64.49	70.94	78.04
Electricity: Consumption								15.0%	-	-	-
Water: Basic levy		33.71	26.30	30.20	33.22	33.22	33.22	10.0%	36.54	40.20	44.22
Water: Consumption		69.22	76.14	87.56	96.32	96.32	96.32	10.0%	105.95	116.55	128.20
Sanitation		51.57	76.10	87.52	96.27	96.27	96.27	10.0%	105.90	116.49	128.14
Refuse removal		51.57	54.70	62.91	69.20	69.20	69.20	10.0%	76.12	83.73	92.11
Other											
sub-total		240.35	276.44	319.17	351.09	351.09	351.09	10.8%	389.00	427.90	470.69
VAT on Services		33.65	38.70	44.68	49.15	49.15	49.15		54.46	59.91	65.90
Total small household bill:		274.00	315.14	363.85	400.24	400.24	400.24	10.8%	443.46	487.81	536.59
% increase/-decrease			15.0%	15.5%	10.0%	-	-		10.8%	10.0%	10.0%

1.4 Operating Expenditure Framework

The Municipality's expenditure framework for the draft 2015/16 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services;
- Strict adherences to the principle of ***no project plan no budget***. If there is no business plan no funding allocation can be made; and
- Creation of job opportunities by the municipality thus an increase in staff costs.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 13 Summary of operating expenditure Table A4 by standard classification item

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Expenditure By Type											
Employee related costs	-	88 369	107 888	103 611	116 434	116 304	99 042	74 282	127 176	134 184	141 450
Remuneration of councillors	2	11 264	12 093	13 981	15 495	15 380	12 551	9 413	16 590	17 502	18 430
Debt impairment	3	5 649	7 351	7 128	1 602	1 602	1 068	801	1 698	1 792	1 886
Depreciation & asset impairment	2	69 785	96 050	88 655	20 770	20 770	20 770	20 770	21 994	23 203	24 477
Finance charges		126	4 512	892	-	650	-	-	-	-	-
Bulk purchases	2	101 328	112 200	122 108	144 157	134 057	104 977	79 494	154 680	163 188	172 163
Other materials	8	15 346	14 298	13 958	28 803	27 975	14 913	12 131	25 621	32 305	34 078
Contracted services		22 886	26 703	38 641	79 294	88 996	85 037	76 628	92 976	98 222	103 535
Transfers and grants		-	19 155	33 798	11 470	13 664	6 191	6 191	14 096	14 872	15 689
Other expenditure	4, 5	65 925	30 613	40 957	108 768	162 771	103 106	75 027	34 850	38 372	40 524
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		380 679	430 863	463 728	526 792	582 168	447 654	354 737	489 681	523 639	552 231

Table 14 Summary of operating expenditure Table A4 by standard classification item

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	35 095	41 574	49 844	55 650	55 750	48 265	36 199	60 210	63 522	66 888
Property rates - penalties & collection charges		881	851	1 306	1 400	1 900	1 657	1 243	1 484	1 566	1 649
Service charges - electricity revenue	2	116 770	127 281	140 204	161 919	155 330	132 186	100 717	172 517	189 769	208 746
Service charges - water revenue	2	23 241	30 842	36 128	39 759	47 587	36 044	27 039	50 290	55 318	60 850
Service charges - sanitation revenue	2	14 809	16 411	19 208	22 170	22 091	24 864	18 652	24 685	27 153	29 869
Service charges - refuse revenue	2	11 496	12 232	13 953	16 136	16 136	14 216	10 662	18 238	20 062	22 068
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		651	800	1 189	1 305	1 315	1 196	900	1 387	1 463	1 542
Interest earned - external investments		3 522	3 970	4 369	4 254	2 670	2 549	1 902	3 406	3 593	3 783
Interest earned - outstanding debtors		17	9	5	–	15	14	11	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		1 497	1 982	9 375	2 240	1 506	714	600	3 006	3 172	3 340
Licences and permits		6 207	5 216	4 415	5 428	4 100	3 648	2 795	4 338	4 576	4 823
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		91 325	116 751	163 051	106 545	126 579	109 046	81 784	114 030	115 832	115 534
Other revenue	2	1 264	1 801	43 172	4 453	42 449	36 713	36 041	58 188	60 785	63 981
Gains on disposal of PPE		956	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		307 732	359 720	486 219	421 259	477 428	411 113	318 543	511 779	546 812	583 073
Expenditure By Type											
Employee related costs	2	88 369	107 888	103 611	116 434	116 304	99 042	74 282	127 176	134 184	141 450
Remuneration of councillors		11 264	12 093	13 981	15 495	15 380	12 551	9 413	16 590	17 502	18 430
Debt impairment	3	5 649	7 351	7 128	1 602	1 602	1 068	801	1 698	1 792	1 886
Depreciation & asset impairment	2	69 785	96 050	88 655	20 770	20 770	20 770	20 770	21 994	23 203	24 477
Finance charges		126	4 512	892	–	650	–	–	–	–	–
Bulk purchases	2	101 328	112 200	122 108	144 157	134 057	104 977	79 494	154 680	163 188	172 163
Other materials	8	15 346	14 298	13 958	28 803	27 975	14 913	12 131	25 621	32 305	34 078
Contracted services		22 886	26 703	38 641	79 294	88 996	85 037	76 628	92 976	98 222	103 535
Transfers and grants		–	19 155	33 798	11 470	13 664	6 191	6 191	14 096	14 872	15 689

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Other expenditure	4, 5	65 925	30 613	40 957	108 768	162 771	103 106	75 027	34 850	38 372	40 524
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		380 679	430 863	463 728	526 792	582 168	447 654	354 737	489 681	523 639	552 231
Surplus/(Deficit)	6	(72 947)	(71 143)	22 491	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Transfers recognised - capital		16 494	(18 733)	(294)	–	–	–	–	–	–	–
Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation	7	(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842

The budgeted allocation for employee related costs for the 2015/16 financial year totals R124 million, which equals 25 % of the total operating expenditure. The multi-year Salary and Wage Collective Agreement has come to an end and in the absence of other information from SALGBC municipalities were advised to budget for an annual increase of 5.8 % for the 2015/16 financial year and for the two outer years 5.5 and 5,3% % has been utilized. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Finance Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of critical and strategically important vacancies. Excessive overtime has been observed by National Treasury during their analysis of municipal budgets and although it is considered acceptable as long as it related to essential services an excessively high allocation could be an indication of performance inefficiencies as it is an expensive form of remuneration easily abused. If National Treasury finds excessive overtime to be legitimate it will be an indication that the organisational structure is insufficiently funded and funds being rather appropriated against vacancies. The maximum percentage allowable for overtime is of total remuneration.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 92 % and the Debt Write-off Policy of the Municipality. For the 2015/16 financial year this amount equates to R 1,7 million and an amount of R 1,8 for 2016/17 million which escalates to R1,9 million by 2017/18. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 21,9 million for the 2015/16 financial and equates to 4% of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register.

Bulk purchases are directly informed by the purchase of electricity from ESKOM. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. ESKOM increase has been budgeted for at 14,24%.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2015/16 the percentage of this against the group of expenditure is 4,7% (R 25,6 million) and continues to grow for the two outer years of which budget allocation is in excess of R9 million by 2017/18.

Contracted services have increased for the Municipality for the 2015/16 financial year. As part of the compilation of the 2015/16 MTREF this group of expenditure was critically evaluated and

operational efficiencies were enforced. In the 2015/16 financial year, this group of expenditure totals R 92,9 million and has escalated overall by just 4,4 %, clearly demonstrating the need to investigate these contracts before the 2016/17 financial year to try and apply cost efficiencies. For the two outer years growth has been limited to 5.4%. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2015/16 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. The reason for the escalation is the additional refuse services for the small towns where refuse was in the past not being collected and the additional security costs as more security guards had to be employed due to theft and damage of infrastructure. Further details relating to contracted services can be seen in Table 64 KZN263 SA1 (see page 100).

Other expenditure comprises of various line items such as insurances, telephone costs, bank charges, Subsistence and travelling, leasing of office equipment, vehicle leases and other costs relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 6% for 2015/16 and curbed at 5.5 and 5,3%% for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 KZN263 SA1 (see page 100).

The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.

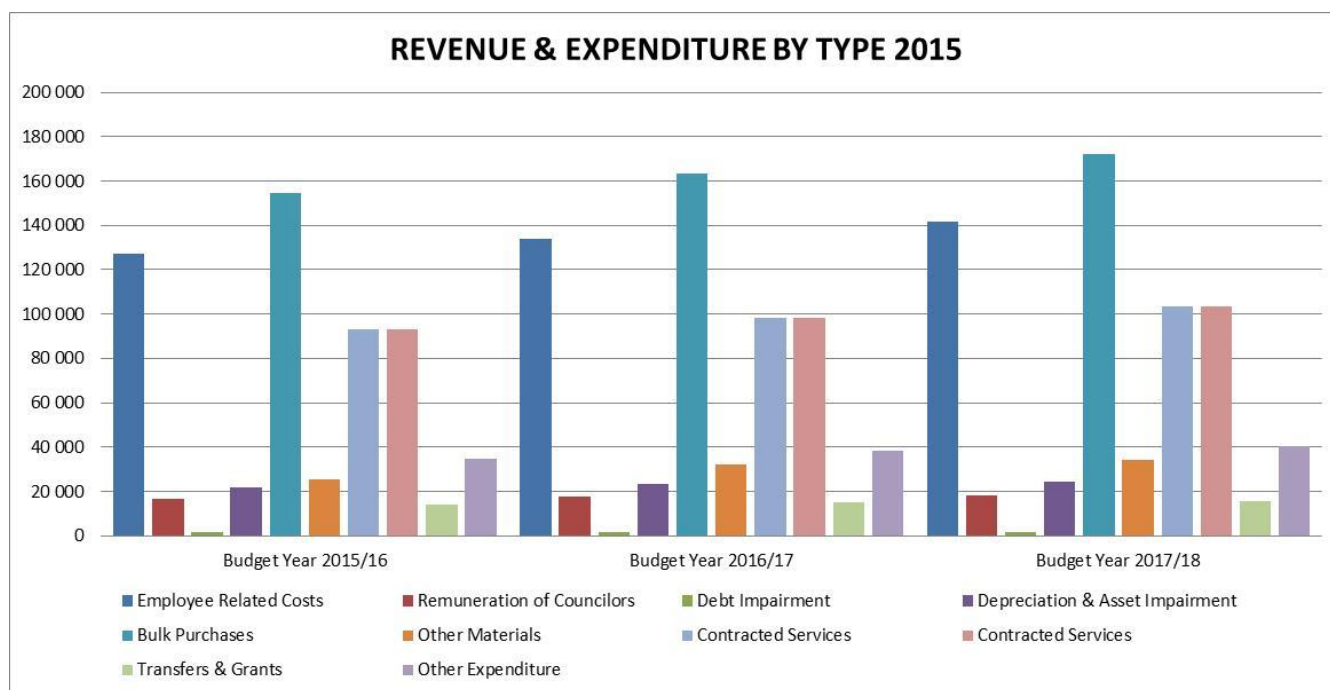


Figure 1 Main operational expenditure categories for the 2015/16 financial year

1.4.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2015/16 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by MFMA Circulars 66, 67, 72, 74 and 75 and the outcome of the 2013/2014 audit qualification the municipality must budget for 10% of its expenditure budget to be allocated to repairs and maintenance and the on-going health of the municipality's infrastructure must be supported by an asset management plan. A further 40% of the municipal budget must be allocated to Capital for the renewal of existing assets and provide a detailed explanation and assurance that the budgeted amount is adequate to secure the on-going health of the municipality's infrastructure supported by reference to its asset management plan. The municipality in the state of local government finances and financial management has been accused of persistent under spending on capital and that the municipality is too reliant on capital grants. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 15 Operational Repairs and Maintenance Schedule SA1

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		15 661	15 921	13 958	8 803	27 975	16 766	16 766	25 621	32 305	34 078
Total Repairs and Maintenance Expenditure	9	15 661	15 921	13 958	28 803	27 975	16 766	16 766	25 621	32 305	34 078

During the compilation of the 2015/16 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the ageing of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance is allocated an amount of R25,6 million which is less than the adjustment budget of 2014/2015 by R3,3 million and will increase in the outer two years to R32,3 million to R34 million. During the 2014 Adjustment Budget this allocation was reduced from R28,8 to R27,9 million owing to the challenges faced by the Municipality. Notwithstanding, as part of the 2015/16 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2015/16 equates to R25,6 million in relations to the Adjustment Budget and continues to grow over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 5.5% and 5,3% for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 16 Repairs and maintenance per asset class – Schedule A9

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>		69 785	96 050	88 655	20 770	20 770	20 770	21 994	23 203	24 477
<u>Repairs and Maintenance by Asset Class</u>	3	15 661	15 921	13 958	28 803	27 975	16 766	25 621	32 304	34 077
Infrastructure - Road transport		5 094	5 379	4 793	11 820	13 515	4 854	9 015	9 511	10 034
Infrastructure - Electricity		5 215	5 945	3 800	8 025	6 100	4 229	7 340	7 744	8 170
Infrastructure - Water		3 300	2 390	3 019	2 930	3 335	4 326	3 404	3 591	3 789
Infrastructure - Sanitation		670	1 437	997	1 220	1 865	1 738	1 810	1 910	2 015
Infrastructure - Other		–	–	21	1 210	–	–	505	533	562
Infrastructure		14 279	15 151	12 629	25 205	24 815	15 148	22 074	23 288	24 569
Community		1 163	441	838	1 691	1 622	1 038	1 850	1 952	2 055
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	219	329	491	1 907	1 539	580	1 697	7 065	7 453
TOTAL EXPENDITURE OTHER ITEMS		85 446	111 970	102 613	49 573	48 745	37 535	47 614	55 508	58 554

For the 2015/16 financial year, R20,3 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling R7,3 million, road infrastructure of R9 million, water R1,7 million and sanitation R1,8 million and refuse R505 thousand each.

1.4.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy on an annual basis. The applications are strictly reviewed annually and this year tighter controls were implemented to ensure this service is given to only the poorest of the poor. Detail relating to free services, cost of free basis services, revenue foregone owing to free basic services as well as basic service delivery measurement is contained in Table 27 KZN263 A10 (Basic Service Delivery Measurement) on page 38.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

The municipality's cost for the Free Basic Services is R13,9 million.

1.5 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 17 2015/16 Medium-Term Capital Budget per Vote – Schedule SA6

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand												
Basic Service Delivery	Electricity	A	3	–	9 027	10 919	13 540	13 540	12 828	22 180	23 410	24 652
	Water	B		–	–	22	2 086	1 030	1 030	2 025	2 136	2 254
	Waste Water	C		–	–	14	54	20	20	1 550	1 635	1 725
	Waste	D		–	–	–	304	274	330	320	338	356
	Community	E		283	122	151	1 160	1 190	1 183	1 690	1 783	1 877
Infrastructure	Roads	F		16 501	22 834	30 038	34 488	34 433	34 433	35 886	37 223	39 217
Good Governance	Planning & Development	G		–	–	251	95	40	40	40	42	45
	Support Services & Fleet	H		–	63	110	497	497	103	770	812	857
	Executive & Council	I		–	13	–	–	–	–	–	–	–
	Financial Management	J		503	49	63	240	140	7	600	633	667
Allocations to other priorities			1									
Total Capital Expenditure				17 287	32 108	41 569	52 463	51 164	49 974	65 061	68 012	71 650

For 2015/16 an amount of R11 million has been appropriated for the development of infrastructure from internal funding and R53,5 million from grant funding. In the outer years this amount totals R13,7 million and R14,8 million from internal funding and R55,8 and R58,8 from grant funding respectively for each of the financial years. Roads, storm water, bus route and other rural projects receives the highest allocation of R35,5 million in 2015/16 which equates to 66,4% followed by electricity infrastructure at 33,6% or R18 million.

Total net assets represent 82,3 % or R56,5 million of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26, A9 (Asset Management) on page 36. In addition to the Table A9, KZN263 Tables SA34a, b, c and d provides a detailed breakdown of the capital programme relating to new asset construction; capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Cemetery development;
- Parks, recreational facilities and swimming pools;
- Fire fighting and security equipment;
- Customer care offices;
- Electricity for all (backlog eradication) – from ESKOM and the Municipality;
- Refurbishment and renewal electrical network;
- New electricity infrastructure;
- Public lighting;
- Waste water treatment works;
- Upgrading and renewal of sewers;
- Bulk supply and backlog eradication of water;
- Refurbishment and renewal of water network;
- Backlog eradication of roads;
- Backlog eradication of storm water drainage;
- Rehabilitation of roads; and
- Extension of main entry roads.

Furthermore pages 92 to 96 contain a detail breakdown of the capital budget per project over the medium-term.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

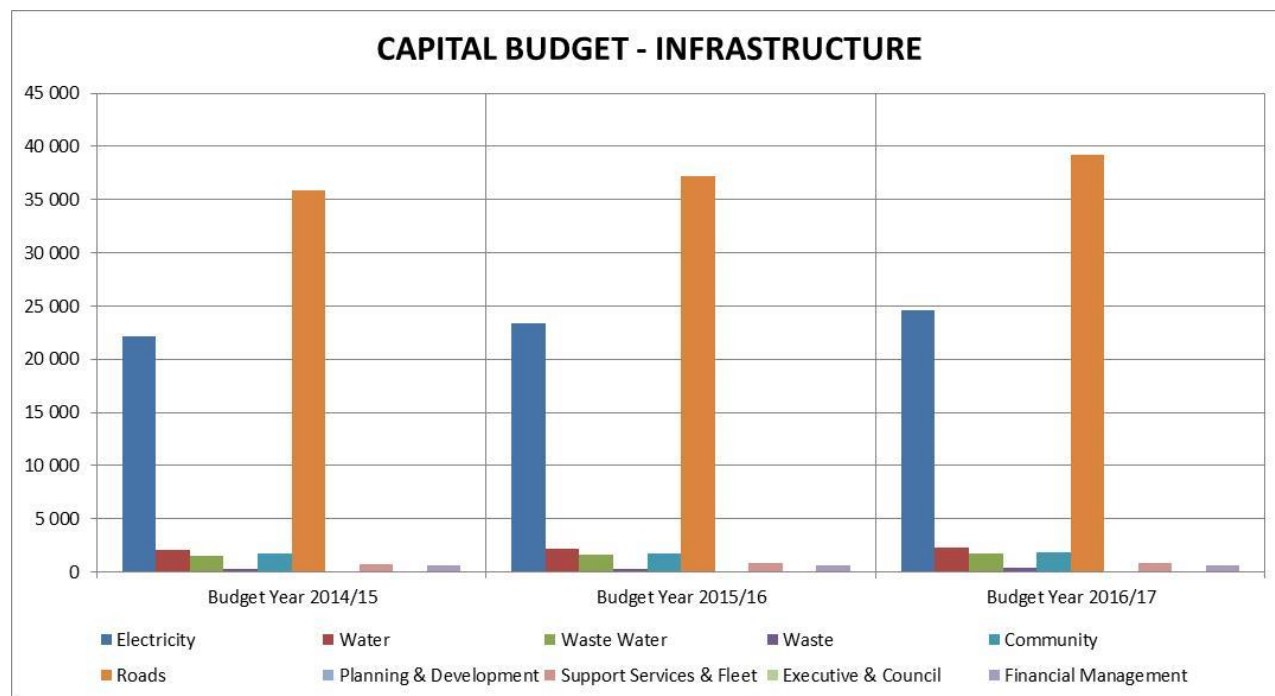


Figure 2 Capital Infrastructure Programme

1.5.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 A5. It needs to be noted that as part of the 2015/16 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.6 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 18 KZN263 Table SA1 - Budget Summary

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		35 095	41 574	49 844	55 650	55 750	48 265	36 199	60 210	63 522	66 888
<i>less Revenue Foregone</i>											
Net Property Rates		35 095	41 574	49 844	55 650	55 750	48 265	36 199	60 210	63 522	66 888
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		116 770	127 281	140 204	161 919	155 330	132 186	100 717	172 517	189 769	208 746
<i>less Revenue Foregone</i>											
Net Service charges - electricity revenue		116 770	127 281	140 204	161 919	155 330	132 186	100 717	172 517	189 769	208 746
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		23 241	30 842	36 128	39 759	47 587	36 044	27 039	50 290	55 318	60 850
<i>less Revenue Foregone</i>											
Net Service charges - water revenue		23 241	30 842	36 128	39 759	47 587	36 044	27 039	50 290	55 318	60 850
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		14 809	16 411	19 208	22 170	22 091	24 864	18 652	24 685	27 153	29 869
<i>less Revenue Foregone</i>											
Net Service charges - sanitation revenue		14 809	16 411	19 208	22 170	22 091	24 864	18 652	24 685	27 153	29 869
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		11 496	12 232	13 953	16 136	16 136	14 216	10 662	18 238	20 062	22 068
Total landfill revenue		–	–	–	–	–	–	–	–	–	–
<i>less Revenue Foregone</i>		–	–	–	–	–	–	–	–	–	–
Net Service charges - refuse revenue		11 496	12 232	13 953	16 136	16 136	14 216	10 662	18 238	20 062	22 068
<u>Other Revenue by source</u>											
<i>List other revenue by source</i>		–	–	–	–	–	–	–	–	–	–
Burial fees		162	156	157	–	–	–	–	–	–	–
Encroachment fees		25	27	30	–	–	–	–	–	–	–
Photostat Copies		32	30	264	4 353	8 290	2 554	1 882	4 617	4 871	5 130

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Special Consent		60	14	–	–	–	–	–	–	–	–
Gate fees		62	69	83	–	–	–	–	–	–	–
Building Plan fees		62	0	–	–	–	–	–	–	–	–
SETA		511	516	184							
Tender deposits		54	146	121							
Rates Clearances		48	22	–							
Monument Fees		35	22	30							
Other Income	3	213	799	42 303	100	34 159	34 159	34 159	53 571	55 914	58 851
Total 'Other' Revenue	1	1 264	1 801	43 172	4 453	42 449	36 713	36 041	58 188	60 785	63 981
EXPENDITURE ITEMS:											
<u>Employee related costs</u>											
Basic Salaries and Wages	2	52 428	57 009	62 215	69 322	67 240	56 915	42 686	73 351	77 385	81 583
Pension and UIF Contributions		9 822	12 162	12 464	15 886	14 368	11 573	8 679	16 373	17 274	18 210
Medical Aid Contributions		3 357	4 080	4 589	6 234	5 489	4 376	3 282	6 619	6 996	7 361
Overtime		9 825	10 403	8 996	5 994	11 455	10 614	7 960	9 763	10 300	10 862
Performance Bonus		2 466	4 315	4 590	6 008	5 154	6 320	4 740	6 727	7 097	7 482
Motor Vehicle Allowance		6 313	6 604	5 365	6 747	6 476	4 994	3 746	7 623	8 042	8 477
Cell phone Allowance		594	668	539	705	548	414	310	643	678	715
Housing Allowances		434	346	258	323	298	213	160	369	389	410
Other benefits and allowances		1 705	1 944	2 270	2 431	2 490	1 762	1 322	2 825	2 980	3 144
Payments in lieu of leave		1 400	3 743	2 298	2 752	2 752	1 835	1 376	2 848	3 005	3 166
Long service awards		26	28	29	34	34	27	21	36	38	40
Post-retirement benefit obligations	4	–	6 586	–	–	–	–	–	–	–	–
sub-total	5	88 369	107 888	103 611	116 434	116 304	99 042	74 282	127 176	134 184	141 450
<u>Less: Employees costs capitalised to PPE</u>											
Total Employee related costs	1	88 369	107 888	103 611	116 434	116 304	99 042	74 282	127 176	134 184	141 450
<u>Contributions recognised - capital</u>											
<i>List contributions by contract</i>											
MIG						–	–	–	–	–	–
INEG						–	–	–	–	–	–
Total Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–
<u>Depreciation & asset impairment</u>											
Depreciation of Property, Plant & Equipment		69 785	96 145	88 655	20 770	20 770	20 770	20 770	21 994	23 203	24 477
Lease amortisation		–	–	–	–	–	–	–	–	–	–

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Capital asset impairment		–	–	–	–	–	–	–	–	–	–
Depreciation resulting from revaluation of PPE	10	–	96	–	–	–	–	–	–	–	–
Total Depreciation & asset impairment	1	69 785	96 050	88 655	20 770	20 770	20 770	20 770	21 994	23 203	24 477
Bulk purchases											
Electricity Bulk Purchases		101 328	112 200	122 108	144 157	134 057	104 977	79 494	154 680	163 188	172 163
Water Bulk Purchases		–	–	–	–	–	–	–	–	–	–
Total bulk purchases	1	101 328	112 200	122 108	144 157	134 057	104 977	79 494	154 680	163 188	172 163
Transfers and grants											
Cash transfers and grants		–	136	153	134	114	99	99	105	111	117
Non-cash transfers and grants		–	19 019	33 644	11 336	13 550	6 092	6 092	13 991	14 761	15 573
Total transfers and grants	1	–	19 155	33 798	11 470	13 664	6 191	6 191	14 096	14 872	15 689
Contracted services											
List services provided by contract		–	–	–	32 443	33 157	33 637	25 227	35 347	37 317	39 329
Internal Audit		–	–	–	–	–	–	–	–	–	–
Meter Reading		2 067	2 132	2 686	2 463	2 400	1 938	1 938	2 000	2 110	2 226
Computer Services		1 323	1 743	1 586	700	650	577	577	720	760	801
Other Contracts Financial services		704	362	1 882	400	5 400	5 532	5 532	1 400	1 477	1 555
Parks		5 479	5 552	5 760	6 300	6 000	5 918	5 918	6 665	7 032	7 404
Security		6 024	10 049	10 657	10 000	11 500	11 500	11 500	12 000	12 660	13 331
Refuse Removal		5 962	5 755	9 052	8 000	10 000	9 475	9 475	10 500	11 078	11 687
Steiner		515	82	93	600	250	160	160	260	274	289
Digging of Graves		78	60	55	67	20	34	34	70	74	78
Electricity-Engineer		305	187	169	550	500	425	425	1 200	1 266	1 336
Water Purification		250	500	226	617	400	321	321	370	390	412
Public Safety		–	–	–	–	–	–	–	–	–	–
Contact Payments technical services		67	–	–	–	–	–	–	–	–	–
Contact Payments community services		53	–	–	–	–	–	–	–	–	–
Contact Payments planning		60	–	–	–	–	–	–	–	–	–
Nurses working with traffic		–	37	3	–	–	–	–	–	–	–
Mikros Traffic		–	60	–	980	925	490	490	1 000	1 055	1 113
Brandfin Trade cc		–	125	147	–	–	–	–	–	–	–
Total client services		–	56	60	–	–	–	–	–	–	–
Commission on vendor sales		–	3	–	800	1 030	884	884	1 089	1 149	1 212
Photocopiers & faxes		–	–	–	620	550	380	380	700	739	778
Lease of vehicles		–	–	–	14 753	16 215	13 765	13 765	19 655	20 842	21 983

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Bonakude			–	46							
Other				6 218							
sub-total	1	22 886	26 703	38 641	79 294	88 996	85 037	76 628	92 976	98 222	103 535
Allocations to organs of state:											
Electricity		–	–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–	–
Sanitation		–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
Total contracted services		22 886	26 703	38 641	79 294	88 996	85 037	76 628	92 976	98 222	103 535
Other Expenditure By Type	-										
Collection costs		–	–	–	–	–	–	–	–	–	–
Contributions to 'other' provisions		7 911	2 705	3 202	3 430	3 430	2 401	1 801	–	–	–
Consultant fees		4 734	–	–	692	6 550	1 622	1 216	–	–	–
Audit fees		1 561	–	–	2 563	2 563	2 873	2 163	–	–	–
General expenses	3	–	–	–	74 362	118 686	68 732	42 370	–	–	–
List Other Expenditure by Type		–	2 705	3 202	–	–	–	–	–	–	–
Chemicals		1 104	–	936	–	–	–	–	–	–	–
Auditors Remuneration		–	1 283	2 482	2 563	2 564	2 563	2 563	2 712	2 861	3 013
Ward Committee Members		1 346	2 158	2 584	2 600	2 680	2 606	2 606	2 835	2 291	3 150
Newsletter & Radio Slots		95	–	145	200	150	38	38	150	158	167
Advertisements & Notices		568	293	574	1 000	650	285	285	1 000	1 055	1 113
Allow & Contr Pensioners		1 143	1 312	1 376	745	1 650	1 725	1 725	1 746	1 842	1 939
Banking Charges & Services		1 025	1 135	1 221	1 300	1 300	1 285	1 285	1 550	1 635	1 722
Cleaning Materials		165	232	291	379	357	389	389	437	461	486
Fuel & Lubricants		3 672	3 911	4 499	3 154	5 275	1 771	1 771	5 131	5 413	5 711
Electricity & Water Services		5 418	1 051	7 538	6 529	6 581	6 057	6 057	7 018	7 404	7 808
Sports & Comm Serv functions		949	1 165	1 200	1 000	1 200	1 702	1 702	1 200	1 266	1 333
Legal Fees		4 734	532	672	692	1 550	2 071	2 071	1 050	1 108	1 169
Telephone & fax		1 220	1 361	1 248	1 306	1 250	1 157	1 157	1 230	1 298	1 366
Postage		627	924	686	631	606	578	578	682	720	758
Printing & Stationery		761	792	1 019	1 165	1 068	895	895	1 207	1 273	1 342
Pension for Retrenched Employees		501	384	234	321	221	89	89	230	243	256
Skills Levy		837	937	981	1 028	1 078	1 067	1 067	1 141	1 204	1 268
Training		182	406	568	900	900	732	732	1 100	1 213	1 298
Valuation Roll Expenditure		265	–	89	200	140	170	170	200	211	222
Subsistence & Travelling		1 694	1 617	2 104	2 006	2 323	2 298	2 298	2 792	2 952	3 118

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Other Expenses		25 416	5 709	4 106					1 440	3 765	3 287
Total 'Other' Expenditure	1	65 925	30 613	40 957	108 768	162 771	103 106	75 027	34 850	38 372	40 524
Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		15 661	15 921	13 958	28 803	27 975	16 766	16 766	25 621	32 305	34 078
Total Repairs and Maintenance Expenditure	9	15 661	15 921	13 958	28 803	27 975	16 766	16 766	25 621	32 305	34 078

Explanatory notes to KZN263 Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a) The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b) Capital expenditure is balanced by capital funding sources, of which
 - I. Transfers recognised is reflected on the Financial Performance Budget;
 - II. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2017/18, when a smaller deficit is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2017/18 the water backlog will have been very nearly eliminated.

Table 19 KZN263 Table SA2 - Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 - Other	Total
R thousand	1								
Revenue By Source									
Property rates		–	60 210	–	–	–	–	–	60 210
Property rates - penalties & collection charges		–	1 484	–	–	–	–	–	1 484
Service charges - electricity revenue		–	–	–	–	–	172 517	–	172 517
Service charges - water revenue		–	–	–	–	–	50 290	–	50 290
Service charges - sanitation revenue		–	–	–	–	–	24 685	–	24 685
Service charges - refuse revenue		–	–	–	–	–	18 238	–	18 238
Service charges - other		–	–	–	–	–	–	–	–
Rental of facilities and equipment		–	879	135	195	178	–	–	1 387
Interest earned - external investments		–	3 406	–	–	–	–	–	3 406
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–
Fines		–	–	–	3 006	–	–	–	3 006
Licences and permits		–	–	–	2 222	2 116	–	–	4 338
Agency services		–	–	–	–	–	–	–	–
Other revenue		–	3 442	168	778	229	–	–	4 617
Transfers recognised - operational		8 998	100 225	–	3 290	1 407	–	100	114 020
Gains on disposal of PPE		–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		8 998	169 646	303	9 490	3 930	265 730	100	458 197
Expenditure By Type									
Employee related costs		6 135	16 107	10 956	22 701	19 088	48 985	357	124 328
Remuneration of councillors		16 590	–	–	–	–	–	–	16 590
Debt impairment		–	–	–	–	–	–	–	–
Depreciation & asset impairment		22	245	1 736	877	6 273	12 680	–	21 834
Finance charges		–	–	–	–	–	–	–	–
Bulk purchases		–	–	–	–	–	154 655	–	154 655
Other materials		–	20	1 605	1 850	9 085	13 059	2	25 621
Contracted services		–	1 400	980	18 897	25	12 070	–	33 372
Transfers and grants		–	–	–	–	–	31 941	–	31 941
Other expenditure		27 048	9 816	6 689	7 404	19 359	10 651	223	81 190
Loss on disposal of PPE		–	–	–	–	–	–	–	–
Total Expenditure		49 795	27 588	21 965	51 729	53 830	284 042	581	489 530
Surplus/(Deficit)		(40 796)	142 058	(21 663)	(42 239)	(49 900)	(18 312)	(481)	(31 333)
Transfers recognised - capital									–
Contributions recognised - capital									–

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 - Other	Total
R thousand	1								
Contributed assets									-
Surplus/(Deficit) after capital transfers & contributions		(40 796)	142 058	(21 663)	(42 239)	(49 900)	(18 312)	(481)	(31 333)

Explanatory notes to KZN263 Table A2 - Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for Electricity, Water, Solid Waste and Waste water functions. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Governance & Administration.

Table 20 KZN263 Table SA3 - Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits < 90 days		-	-	-	-	-	-	-	-	-	-
Other current investments > 90 days		-	-	-	-	-	-	-	-	-	-
Total Call investment deposits	2	-	-	-	-	-	-	-	-	-	-
<u>Consumer debtors</u>											
Consumer debtors		36 897	71 472	98 279	45 000	51 197	51 197	86 464	90 000	90 000	90 000
Less: Provision for debt impairment		(21 694)	(29 044)	(31 237)	(29 000)	7 128	7 128	(31 648)	(30 000)	(30 000)	(30 000)
Total Consumer debtors	2	15 203	42 428	67 043	16 000	58 325	58 325	54 816	60 000	60 000	60 000
<u>Debt impairment provision</u>											
Balance at the beginning of the year											
Contributions to the provision		(21 694)	(29 044)	(31 237)	(29 000)	7 128	7 128	(31 648)	(30 000)	(30 000)	(30 000)
Bad debts written off											
Balance at end of year		(21 694)	(29 044)	(31 237)	(29 000)	7 128	7 128	(31 648)	(30 000)	(30 000)	(30 000)
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		2 721 063	2 135 298	3 396 121	3 000 000	3 396 121	3 396 121	3 400 983	3 500 000	3 500 000	3 500 000
Leases recognised as PPE		-	-	-	-	-	-	-	-	-	-
Less: Accumulated depreciation		1 699 638	96 079	1 368 978	2 000 000	1 368 978	1 368 978	1 382 798	1 400 000	1 400 000	1 400 000
Total Property, plant and equipment (PPE)	2	1 021 425	2 039 220	2 027 143	1 000 000	2 027 143	2 027 143	2 018 186	2 100 000	2 100 000	2 100 000
LIABILITIES											
<u>Current liabilities - Borrowing</u>											
Short term loans (other than bank overdraft)		1 856	5 951	4 786	-	7 981	7 981	7 981	7 981	7 981	7 981
Current portion of long-term liabilities		-	-	-	-	-	-	-	-	-	-
Total Current liabilities - Borrowing		1 856	5 951	4 786	-	7 981	7 981	7 981	7 981	7 981	7 981
<u>Trade and other payables</u>											
Trade and other creditors		29 646	33 991	36 785	20 000	35 423	35 423	26 628	37 000	37 000	37 000

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Unspent conditional transfers		19 193	33 505	6 310	15 000	–	–	27 236	–	–	–
VAT		(268)	–	–	–	–	–	(2 919)	–	–	–
Total Trade and other payables	2	48 571	67 496	43 095	35 000	35 423	35 423	50 945	37 000	37 000	37 000
<u>Non current liabilities - Borrowing</u>											
Borrowing	4	–	–	–	–	–	–	–			
Finance leases (including PPP asset element)		–	–	–	–	–	–	–			
Total Non current liabilities - Borrowing		–	–	–	–	–	–	–	–	–	–
<u>Provisions - non-current</u>											
Retirement benefits		40 587	47 173	36 565	50 000	36 565	36 565	38 681	39 000	39 000	39 000
List other major provision items											
Refuse landfill site rehabilitation		47 214	49 919	53 122	55 000	53 122	53 122	54 636	55 000	55 000	55 000
Other		–	10 392	4 577	–	7 128	7 128	4 992	5 000	5 000	5 000
Total Provisions - non-current		87 801	107 484	94 263	105 000	96 815	96 815	98 308	99 000	99 000	99 000
CHANGES IN NET ASSETS											
<u>Accumulated Surplus/(Deficit)</u>											
Accumulated Surplus/(Deficit) - opening balance		1 057 390	2 086 247	1 996 370	2 127 019	2 031 627	2 031 627	2 017 132	2 018 000	2 018 000	2 018 000
GRAP adjustments											
Restated balance		1 057 390	2 086 247	1 996 370	2 127 019	2 031 627	2 031 627	2 017 132	2 018 000	2 018 000	2 018 000
Surplus/(Deficit)		(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Appropriations to Reserves		(2 771)	–	–	–	–	–	–			
Transfers from Reserves		–	–	–	–	–	–	–			
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	998 166	1 996 371	2 018 567	2 021 486	1 926 887	1 995 085	1 980 938	2 040 098	2 041 173	2 048 842
<u>Reserves</u>											
Housing Development Fund		–	–	–	–	–	–	–			
Capital replacement		–	–	–	–	–	–	–			
Self-insurance		–	–	–	–	–	–	–			
Other reserves		–	–	–	–	–	–	–			
Revaluation		–	–	–	–	–	–	–			

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	998 166	1 996 371	2 018 567	2 021 486	1 926 887	1 995 085	1 980 938	2 040 098	2 041 173	2 048 842

Explanatory notes to KZN263 Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 21 Surplus/ (Deficit) calculations for the trading services

None

2. The electricity trading is showing no sign of improvement over the 2015/16 MTREF from a deficit in the adjustment budget for 2014/15 of approximately R11,9 million to a deficit of R21million in 2015/16 and decreases in the outer two years. This is primarily as a result of the high increases in ESKOM bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers as well as additional requirements from the section to upgrade the ageing infrastructure.
3. The surplus on the water account remains relatively constant over the MTREF translating into a surplus of R20 million and R24 million for each of the respective outer financial years; and in the 2015/16 a surplus of R17 million is forecast. This is mainly attributed to funding being received from COGTA for the upgrade of the infrastructure and the municipality not having to budget as much for repairs and maintenance.
4. Note that there is no longer surpluses on these trading accounts that can be utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 22 KZN263 Table A4 - Budgeted Financial Performance (Revenue and Expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	35 095	41 574	49 844	55 650	55 750	48 265	36 199	60 210	63 522	66 888
Property rates - penalties & collection charges		881	851	1 306	1 400	1 900	1 657	1 243	1 484	1 566	1 649
Service charges - electricity revenue	2	116 770	127 281	140 204	161 919	155 330	132 186	100 717	172 517	189 769	208 746
Service charges - water revenue	2	23 241	30 842	36 128	39 759	47 587	36 044	27 039	50 290	55 318	60 850
Service charges - sanitation revenue	2	14 809	16 411	19 208	22 170	22 091	24 864	18 652	24 685	27 153	29 869
Service charges - refuse revenue	2	11 496	12 232	13 953	16 136	16 136	14 216	10 662	18 238	20 062	22 068
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		651	800	1 189	1 305	1 315	1 196	900	1 387	1 463	1 542
Interest earned - external investments		3 522	3 970	4 369	4 254	2 670	2 549	1 902	3 406	3 593	3 783
Interest earned - outstanding debtors		17	9	5	–	15	14	11	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		1 497	1 982	9 375	2 240	1 506	714	600	3 006	3 172	3 340
Licences and permits		6 207	5 216	4 415	5 428	4 100	3 648	2 795	4 338	4 576	4 823
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		91 325	116 751	163 051	106 545	126 579	109 046	81 784	114 030	115 832	115 534
Other revenue	2	1 264	1 801	43 172	4 453	42 449	36 713	36 041	58 188	60 785	63 981
Gains on disposal of PPE		956	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		307 732	359 720	486 219	421 259	477 428	411 113	318 543	511 779	546 812	583 073
Expenditure By Type											
Employee related costs	2	88 369	107 888	103 611	116 434	116 304	99 042	74 282	127 176	134 184	141 450
Remuneration of councillors		11 264	12 093	13 981	15 495	15 380	12 551	9 413	16 590	17 502	18 430
Debt impairment	3	5 649	7 351	7 128	1 602	1 602	1 068	801	1 698	1 792	1 886
Depreciation & asset impairment	2	69 785	96 050	88 655	20 770	20 770	20 770	20 770	21 994	23 203	24 477
Finance charges		126	4 512	892	–	650	–	–	–	–	–
Bulk purchases	2	101 328	112 200	122 108	144 157	134 057	104 977	79 494	154 680	163 188	172 163
Other materials	8	15 346	14 298	13 958	28 803	27 975	14 913	12 131	25 621	32 305	34 078
Contracted services		22 886	26 703	38 641	79 294	88 996	85 037	76 628	92 976	98 222	103 535
Transfers and grants		–	19 155	33 798	11 470	13 664	6 191	6 191	14 096	14 872	15 689
Other expenditure	4, 5	65 925	30 613	40 957	108 768	162 771	103 106	75 027	34 850	38 372	40 524

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		380 679	430 863	463 728	526 792	582 168	447 654	354 737	489 681	523 639	552 231
Surplus/(Deficit)	6	(72 947)	(71 143)	22 491	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Transfers recognised - capital		16 494	(18 733)	(294)	–	–	–	–	–	–	–
Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation	7	(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R511 million in 2015/16 and escalates to R583 million by 2017/18. This represents a year-on-year increase of 6% for the 2015/16 financial year and 5.3% for the 2017/18 financial year.
2. Revenue to be generated from property rates is R60,2 million in the 2015/16 financial year and increases to R66,8 million by 2017/18 which represents 12% of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 7%, 5.5% and 5.3% for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R265,7 million for the 2015/16 financial year and increasing to R321,5 million by 2017/18. A notable trend is the growth in the total percentage revenue generated from services charges which remains constant at 6%, 5,5% and 5,3% in 2015/16, 2016/17 and 2017/18. This can be mainly attributed to the cost of bulk electricity increase in the Eskom tariffs for bulk electricity remaining at 10% in the outer two years.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 5,5% and 5, 3% for the two outer years. The percentage share of this revenue source increases due to the new formula that was implemented for the Equitable Share allocation in 2014/15.
5. The following graph illustrates the major expenditure items per type.

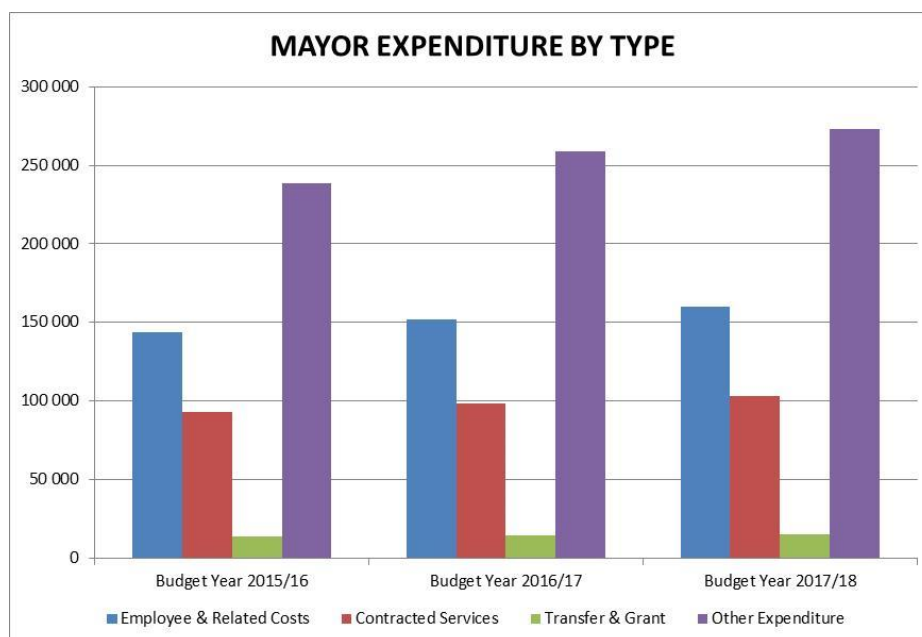


Figure 3 Expenditure by Major Type

6. Bulk purchases have significantly increased over the 2011/12 to 2017/18 period escalating from R101 million to R172 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from ESKOM.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 23 KZN263 Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Municipal Governance & Administration		–	–	–	–	–	–	–	–	–	–
Vote 2 - Budget & Treasury		–	–	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 4 - Community & Public Safety		–	–	–	–	–	–	–	–	–	–
Vote 5 - Economic & Environmental Services		16 494	22 801	29 907	34 158	34 158	34 158	34 158	35 566	36 885	38 861
Vote 6 - Trading Services		–	9 000	9 000	9 000	9 000	9 000	9 000	18 000	19 000	20 000
Vote 7 - Other		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	16 494	31 801	38 907	43 158	43 158	43 158	43 158	53 566	55 885	58 861
Single-year expenditure to be appropriated	2										
Vote 1 - Municipal Governance & Administration		–	13	–	–	–	–	–	–	–	–
Vote 2 - Budget & Treasury		503	49	63	240	140	7	7	600	633	667
Vote 3 - Corporate Services		–	63	110	497	497	103	103	770	812	857
Vote 4 - Community & Public Safety		283	122	151	1 140	1 190	1 182	1 182	1 690	1 783	1 877
Vote 5 - Economic & Environmental Services		7	33	382	376	315	315	315	360	380	401
Vote 6 - Trading Services		–	27	1 955	10 983	8 864	6 208	6 208	8 075	8 519	8 988
Vote 7 - Other		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		793	307	2 662	13 236	11 006	7 816	7 816	11 495	12 127	12 789
Total Capital Expenditure - Vote		17 287	32 108	41 569	56 394	54 164	50 974	50 974	65 061	68 012	71 650

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2015/16 R35,5 million has been allocated of the total R65 million capital budgets, which total 82,3%. This allocation increases to R55,8 million in 2016/17 and then increases to R58,8 million in 2017/
3. Single-year capital expenditure has been appropriated at R 11, 4 million for the 2015/16 financial year and increases over the MTREF at levels of R 12,1 million and R 12,7 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. For 2015/16, capital transfers totals R 53, 5 million and increases to R 58,8 million by 2017/18. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 24 KZN263 Table A6 - Budgeted Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
Current assets											
Cash		35 758	83 211	53 151	40 000	61 000	60 000	60 000	60 000	60 000	60 000
Call investment deposits	1	–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	15 203	42 428	67 043	16 000	58 325	58 325	54 816	60 000	60 000	60 000
Other debtors		28 061	1 221	3 402	–	–	3 402	3 500	3 000	3 000	3 000
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	7 260	7 784	6 965	–	8 443	8 443	8 443	8 500	8 500	8 500
Total current assets		86 282	134 644	130 562	56 000	127 768	130 170	126 758	131 500	131 500	131 500
Non-current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		26 910	–	–	–	–	–	–	–	–	–
Investment property		4 883	13 774	13 903	13 903	13 903	13 903	13 903	13 903	13 903	13 903
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	1 021 425	2 039 220	2 027 143	1 000 000	2 027 143	2 027 143	2 018 186	2 100 000	2 100 000	2 100 000
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		516	258	312	230	312	312	286	312	312	312
Other non-current assets		–	3 074	3 074	–	–	–	–	3 074	3 074	3 074
Total non current assets		1 053 734	2 056 325	2 044 432	1 014 133	2 041 358	2 041 358	2 032 375	2 117 289	2 117 289	2 117 289
TOTAL ASSETS		1 140 016	2 190 969	2 174 994	1 070 133	2 169 126	2 171 529	2 159 133	2 248 789	2 248 789	2 248 789
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	1 856	5 951	4 786	–	7 981	7 981	7 981	7 981	7 981	7 981
Consumer deposits		11 378	12 286	12 901	–	–	15 000	12 967	13 000	13 000	13 000
Trade and other payables	4	48 571	67 496	43 095	35 000	35 423	35 423	50 945	37 000	37 000	37 000
Provisions		0	1 381	1 381	–	–	1 381	1 381	1 381	1 381	1 381
Total current liabilities		61 804	87 116	62 164	35 000	43 404	59 785	73 274	59 362	59 362	59 362
Non current liabilities											
Borrowing		–	–	–	–	–	–	–	–	–	–

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Provisions		87 801	107 484	94 263	105 000	96 815	96 815	98 308	99 000	99 000	99 000
Total non-current liabilities		87 801	107 484	94 263	105 000	96 815	96 815	98 308	99 000	99 000	99 000
TOTAL LIABILITIES		149 605	194 599	156 427	140 000	140 219	156 600	171 582	158 362	158 362	158 362
NET ASSETS	5	990 411	1 996 370	2 018 567	930 133	2 028 908	2 014 929	1 987 551	2 090 427	2 090 427	2 090 427
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1 001 056	1 996 370	2 018 567	2 049 423	2 028 908	2 014 929	1 987 551	2 090 427	2 090 427	2 090 427
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	1 001 056	1 996 370	2 018 567	2 049 423	2 028 908	2 014 929	1 987 551	2 090 427	2 090 427	2 090 427

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 25 KZN263 Table A7 - Budgeted Cash Flow Statement

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		201 858	42 426	51 150	55 650	55 750	48 565	48 565	61 644	65 034	68 481
Service charges		101 115	195 475	210 820	239 984	241 144	207 309	207 309	265 730	292 303	321 533
Other revenue		16 494	3 587	8 258	13 326	15 226	8 127	8 127	13 348	14 082	14 834
Government - operating	1	3 522	135 052	136 919	106 545	115 588	115 588	115 588	114 030	115 832	115 534
Government - capital	1	–	–	–	43 158	34 158	34 158	34 158	53 500	55 800	58 800
Interest			3 979	4 375	4 254	2 685	2 685	2 685	3 406	3 593	3 783
Dividends									–	–	–
Payments											
Suppliers and employees		(269 060)	(317 998)	(351 811)	(415 236)	(415 236)	(415 136)	(415 136)	(364 030)	(384 066)	(404 986)
Finance charges		(126)	(4 512)	(892)	–	(650)	(650)	(650)	–	–	–
Transfers and Grants	1	(27 871)	(19 019)	(33 644)	(12 626)	(27 893)	(20 000)	(20 000)	(15 346)	(16 191)	(17 078)
NET CASH FROM/(USED) OPERATING ACTIVITIES		25 931	38 991	25 173	35 056	20 773	(19 354)	(19 354)	132 281	146 389	160 902
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		956	847	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		18 293	–	–	10 000	–	–	–	–	–	–
Payments											
Capital assets		(13 360)	(16 947)	(48 252)	(43 158)	(34 158)	(34 158)	(34 158)	(53 500)	(55 800)	(58 800)
NET CASH FROM/(USED) INVESTING ACTIVITIES		5 889	(16 100)	(48 252)	(33 158)	(34 158)	(34 158)	(34 158)	(53 500)	(55 800)	(58 800)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	(1 401)	(7 595)	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		479	909	615	480	480	480	480	–	–	–
Payments											
Repayment of borrowing		–	(1 856)	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		479	(2 348)	(6 981)	480	480	480	480	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		32 300	20 543	(30 059)	2 378	(12 905)	(53 032)	(53 032)	78 781	90 589	102 102
Cash/cash equivalents at the year begin:	2	30 368	62 668	83 211	53 151	53 151	53 151	53 151	120	78 901	169 490

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Cash/cash equivalents at the year end:	2	62 668	83 211	53 151	55 529	40 246	120	120	78 901	169 490	271 592

Table 26 KZN263 Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	62 668	83 211	53 151	55 529	40 246	120	120	78 901	169 490	271 592
Other current investments > 90 days		(26 910)	0	0	(15 529)	20 754	59 880	59 880	(18 901)	(109 490)	(211 592)
Non-current assets - Investments	1	26 910	-	-	-	-	-	-	-	-	-
Cash and investments available:		62 668	83 211	53 151	40 000	61 000	60 000	60 000	60 000	60 000	60 000
Application of cash and investments											
Unspent conditional transfers		19 193	33 505	6 310	15 000	-	-	27 236	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(35 571)	(10 113)	(22 927)	9 417	999	(5 447)	(22 613)	(17 434)	(17 750)	(17 998)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(16 378)	23 392	(16 617)	24 417	999	(5 447)	4 623	(17 434)	(17 750)	(17 998)
Surplus(shortfall)		79 046	59 818	69 768	15 583	60 001	65 447	55 377	77 434	77 750	77 998

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality decreased significantly over the 2012/13 to 2013/14 period owing directly to a net decrease in cash for the 2013/14 financial year of R 53,1 million.
4. The approved 2014/15 MTREF provided for a net decrease in cash of R12,9 million for the 2014/15 financial year, during the Adjustment Budget the resulting changed to an overall projected cash position of R 120 thousand at year end.
5. As part of the 2014/15 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
6. The 2015/16 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
7. Cash and cash equivalents totals R 78 million surplus as at the end of the 2015/16 financial year and escalates to R 271 million surplus by 2017/18.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2011/12 to 2014/15 the surplus has decreased from R62,6 million to R53,1 million.

6. As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
7. As can be seen the draft budget has been modelled to a surplus of R 78 million in 2015/16 to surplus of R 271 million by 2017/18. These figures will be revisited before the tabling of the final budget in May 2015.

Table 27 KZN263 Table A9 - Asset Management

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	17 287	32 108	41 569	56 394	54 164	50 974	65 061	68 012	71 650
Infrastructure - Road transport		16 501	22 834	30 038	34 158	34 158	34 158	35 566	36 885	38 861
Infrastructure - Electricity		492	9 027	10 919	13 540	13 540	12 828	22 180	23 410	24 652
Infrastructure - Water		-	-	22	4 086	2 030	2 030	2 025	2 136	2 254
Infrastructure - Sanitation		-	-	14	2 054	2 020	20	1 550	1 635	1 725
Infrastructure - Other		-	-	-	304	274	330	320	338	356
Infrastructure		16 993	31 861	40 993	54 141	52 022	49 366	61 641	64 404	67 849
Community		283	122	151	1 140	1 170	1 150	1 670	1 762	1 855
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	11	125	425	1 113	972	457	1 750	1 847	1 947
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	2	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-
Community	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	4									
Infrastructure - Road transport		16 501	22 834	30 038	34 158	34 158	34 158	35 566	36 885	38 861
Infrastructure - Electricity		492	9 027	10 919	13 540	13 540	12 828	22 180	23 410	24 652
Infrastructure - Water		-	-	22	4 086	2 030	2 030	2 025	2 136	2 254

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<i>Infrastructure - Sanitation</i>		–	–	14	2 054	2 020	20	1 550	1 635	1 725
<i>Infrastructure - Other</i>		–	–	–	304	274	330	320	338	356
Infrastructure		16 993	31 861	40 993	54 141	52 022	49 366	61 641	64 404	67 849
Community		283	122	151	1 140	1 170	1 150	1 670	1 762	1 855
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		11	125	425	1 113	972	457	1 750	1 847	1 947
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	17 287	32 108	41 569	56 394	54 164	50 974	65 061	68 012	71 650
ASSET REGISTER SUMMARY - PPE (WDV)	5									
<i>Infrastructure - Road transport</i>		704 545	685 644	682 026	164 696	682 026	682 026	682 026	718 855	754 798
<i>Infrastructure - Electricity</i>		1 211 393	623 358	596 992	538 055	596 992	596 992	596 992	626 841	658 183
<i>Infrastructure - Water</i>		609 476	310 864	299 714	93 822	299 714	299 714	299 714	314 700	330 434
<i>Infrastructure - Sanitation</i>		352 441	137 274	131 637	90 078	131 637	131 637	131 637	138 219	145 130
<i>Infrastructure - Other</i>		2 108	2 108	2 108	98 214	2 108	2 108	2 108	2 108	2 108
Infrastructure		2 879 963	1 759 248	1 712 476	984 865	1 712 476	1 712 476	1 712 476	1 800 722	1 890 653
Community		16 882	90 456	85 084	85 084	85 084	85 084	85 084	85 084	85 084
Heritage assets		2 942	3 074	3 074	3 074	3 074	3 074	3 074	3 074	3 074
Investment properties		4 883	13 774	13 903	13 903	13 903	13 903	13 903	13 903	13 903
Other assets		96 197	189 516	229 582	4 883	4 883	4 883	229 582	241 061	253 115
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		516	258	312	230	312	312	312	312	312
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	3 001 383	2 056 325	2 044 432	1 092 039	1 819 732	1 819 732	2 044 432	2 144 157	2 246 141
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>		69 785	96 050	88 655	20 770	20 770	20 770	21 994	23 203	24 477
<u>Repairs and Maintenance by Asset Class</u>		15 661	15 921	13 958	28 803	27 975	16 766	25 621	32 304	34 077
<i>Infrastructure - Road transport</i>		5 094	5 379	4 793	11 820	13 515	4 854	9 015	9 511	10 034
<i>Infrastructure - Electricity</i>		5 215	5 945	3 800	8 025	6 100	4 229	7 340	7 744	8 170
<i>Infrastructure - Water</i>		3 300	2 390	3 019	2 930	3 335	4 326	3 404	3 591	3 789
<i>Infrastructure - Sanitation</i>		670	1 437	997	1 220	1 865	1 738	1 810	1 910	2 015
<i>Infrastructure - Other</i>		–	–	21	1 210	–	–	505	533	562
Infrastructure		14 279	15 151	12 629	25 205	24 815	15 148	22 074	23 288	24 569
Community		1 163	441	838	1 691	1 622	1 038	1 850	1 952	2 055
Heritage assets		–	–	–	–	–	–	–	–	–

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	219	329	491	1 907	1 539	580	1 697	7 065	7 453
TOTAL EXPENDITURE OTHER ITEMS		85 446	111 970	102 613	49 573	48 745	37 535	47 614	55 508	58 554

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 % of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE. The Municipality is not able to meet both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

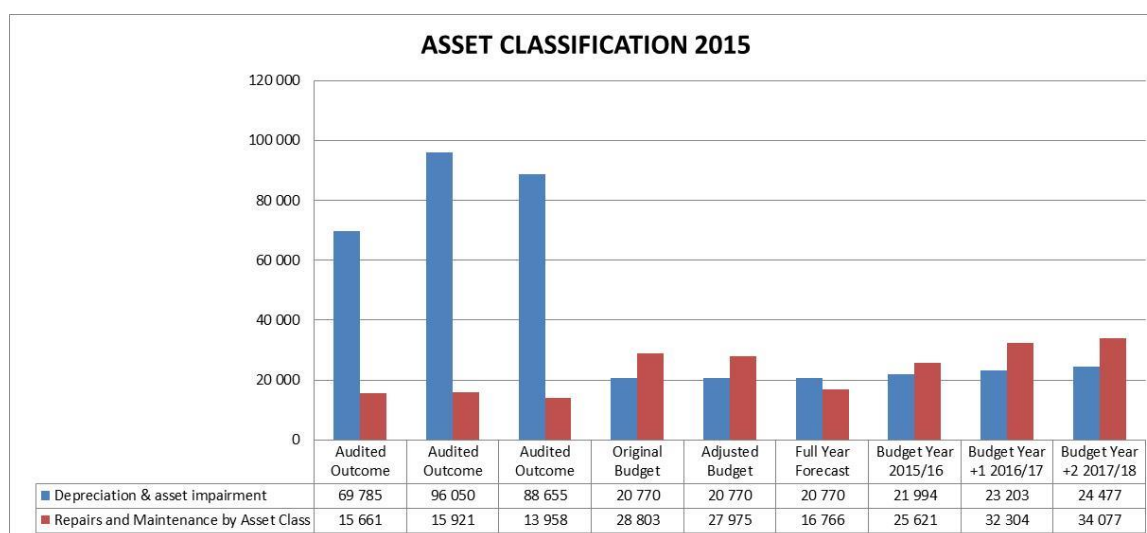


Figure 4 Depreciation in relation to repairs and maintenance over the MTREF

Table 28 KZN263 Table A10 - Basic Service Delivery Measurement

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Household service targets	1									
<u>Water:</u>										
Piped water inside dwelling		17 237	17 237	17 237	67 076	67 076	67 076	67 076	67 076	67 076
Piped water inside yard (but not in dwelling)		14 020	14 020	14 020	64 999	64 999	64 999	64 999	64 999	64 999
Using public tap (at least min. service level)	2			14 024	14 024	14 024	14 024	14 024	14 024	14 024
Other water supply (at least min. service level)	4	12 204	12 204	7 396	7 396	7 396	7 396	7 396	7 396	7 396
<i>Minimum Service Level and Above sub-total</i>		43 461	43 461	52 677	153 495	153 495	153 495	153 495	153 495	153 495
Using public tap (< min. service level)	3		3 207	3 207	3 207	3 207	3 207	3 207	3 207	3 207
Other water supply (< min. service level)	4		1 919	1 919	1 919	1 919	1 919	1 919	1 919	1 919
No water supply			40 232	40 232	40 232	40 232	40 232	40 232	40 232	40 232
<i>Below Minimum Service Level sub-total</i>		-	45 358	45 358	45 358	45 358	45 358	45 358	45 358	45 358
Total number of households	5	43 461	88 819	98 035	198 853	198 853	198 853	198 853	198 853	198 853
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)		17 723	17 723	17 723	68 157	68 157	68 157	68 157	68 157	68 157
Flush toilet (with septic tank)		1 226	1 226	1 226	4 506	4 506	4 506	4 506	4 506	4 506
Chemical toilet		2 241	2 241	2 241	11 208	11 208	11 208	11 208	11 208	11 208
Pit toilet (ventilated)		4 399	4 399	4 399	22 379	22 379	22 379	22 379	22 379	22 379
Other toilet provisions (> min. service level)										
<i>Minimum Service Level and Above sub-total</i>		25 589	25 589	25 589	106 250	106 250	106 250	106 250	106 250	106 250
Bucket toilet		200	200	200	919	919	919	919	919	919
Other toilet provisions (< min. service level)		10 219	10 219	10 219	53 876	53 786	53 786	53 876	53 786	53 786
No toilet provisions		5 512	5 512	5 512	28 842	28 842	28 842	28 842	28 842	28 842
<i>Below Minimum Service Level sub-total</i>		15 931	15 931	15 931	83 637	83 547	83 547	83 637	83 547	83 547
Total number of households	5	41 520	41 520	41 520	189 887	189 797	189 797	189 887	189 797	189 797
<u>Energy:</u>										
Electricity (at least min. service level)		31 223	31 223	31 223	19 781	19 781	19 781	19 781	19 781	19 781
Electricity - prepaid (min. service level)										
<i>Minimum Service Level and Above sub-total</i>		31 223	31 223	31 223	19 781	19 781	19 781	19 781	19 781	19 781
Electricity (< min. service level)										
Electricity - prepaid (< min. service level)										
Other energy sources		11 886	11 886	11 886	3 243	3 243	3 243	3 243	3 243	3 243
<i>Below Minimum Service Level sub-total</i>		11 886	11 886	11 886	3 243	3 243	3 243	3 243	3 243	3 243
Total number of households	5	43 109	43 109	43 109	23 024	23 024	23 024	23 024	23 024	23 024
<u>Refuse:</u>										

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Removed at least once a week	5	17 985	17 985	17 985	11 257	11 257	11 257	11 257	11 257	11 257
<i>Minimum Service Level and Above sub-total</i>		17 985	17 985	17 985	11 257	11 257	11 257	11 257	11 257	11 257
Removed less frequently than once a week		434	434	434	1 270	1 270	1 270	1 270	1 270	1 270
Using communal refuse dump		511	511	511	1 763	1 763	1 763	1 763	1 763	1 763
Using own refuse dump		20 764	20 764	20 764	105 738	105 738	105 738	105 738	105 738	105 738
Other rubbish disposal		868	868	868	3 816	3 816	3 816	3 816	3 816	3 816
No rubbish disposal		2 728	2 728	2 728	15 010	15 010	15 010	15 010	15 010	15 010
<i>Below Minimum Service Level sub-total</i>		25 305	25 305	25 305	127 597	127 597	127 597	127 597	127 597	127 597
Total number of households		43 290	43 290	43 290	138 854	138 854	138 854	138 854	138 854	138 854
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		1 163	3 124	3 500	3 500	3 500	3 500	3 500	3 500	3 500
Sanitation (free minimum level service)		2 186	3 320	3 500	3 500	3 500	3 500	3 500	3 500	3 500
Electricity/other energy (50kwh per household per month)		19 999	2 978	2 700	2 700	2 700	2 700	2 700	2 700	2 700
Refuse (removed at least once a week)		2 446	3 594	4 000	4 000	4 000	4 000	4 000	4 000	4 000
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)			1 132	1 031	1 989	1 989				
Sanitation (free sanitation service)			2 030	1 999	3 801	3 801				
Electricity/other energy (50kwh per household per month)			2 374	3 500	3 500	3 500				
Refuse (removed once a week)			1 532	2 000	2 833	2 833				
Total cost of FBS provided (minimum social package)		–	7 068	8 530	12 123	12 123	–	–	–	–
Highest level of free service provided										
Property rates (R value threshold)		80 000	80 000	80 000	80 000	80 000	80 000	80 000	80 000	80 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)										
Revenue cost of free services provided (R'000)	9									
Property rates (R 15 000 threshold rebate)		3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000
Property rates (other exemptions, reductions and rebates)										
Water										
Sanitation										
Electricity/other energy		3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500
Refuse		3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Municipal Housing - rental rebates Housing - top structure subsidies Other	6									
Total revenue cost of free services provided (total social package)		10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
 - a. Water services – backlog will remain the same in 2015/16 as in 2014/15. These households are largely found in ‘rural areas’ and will need to be moved to formal areas so that they can receive services.
 - b. Sanitation services – backlog will remain the same over the MTREF
 - c. Electricity services – backlogs will be reduced in ESKOM supplied areas
 - d. Refuse services – backlog will be reduced in 2015/16, and in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for all households applying as indigent in 2015/16 to be registered and on approval from EXCO be entitled to receive Free Basic Services. The number is set to increase given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R13,3 million in 2015/16, increasing to R15,5 million in 2017/18. This is covered by the municipality’s equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also ‘gives’ households R13,3 million in free services in 2015/16. This ‘tax expenditure’ needs to be seen within the context of the municipality’s overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the ‘free services’ represent about 2,6% of total operating revenue.

Part 2 – Supporting Documentation

1.7 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of Exco and Mancom of the municipality meeting under the chairpersonship of the Finance Portfolio.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

The above process was followed during the preparation of the budget.

1.7.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 31 August 2014. Key dates applicable to the process were:

- **August 2014:**
- Table IDP Process Plan to EXCO and Council for approval
- Submit Annual Performance Report to Treasury

September 2014:

- 1st IDP Representative Forum meeting
- Planning meeting and establishment of Budget Committee including review of IDP and budget policies as per Gazette 32141

- **October 2014:**

- **Budget Framework**

- IDP Steering Committee meeting to address 2013/2014 IDP MEC comments and consider analysis report
- CBP workshop

- **November 2014**

- **Presentation of Departmental and Capital Budgets**

- Departments to present budget requirements to Finance, including tariff proposals. Suggested amendments to Budget related Policies

- **26 March 2015 Draft Budget**

- Submit Draft budget, tariffs, SDBIP's to Exco for recommendation to Council Submit Draft IDP to Exco for recommendation to Council
- **13 April – 25 April 2015** – Public consultation;
- **28 April – 4 May 2015** – Balancing of budget
- **28 April 2015** - Closing date for written comments;
- **28 May 2015** - Tabling of the 2015/16 MTREF before Council for consideration and approval.

1.7.2 IDP and Service Delivery and Budget Implementation Plan

The Abaqulusi Municipality implemented a new five-year IDP for the period July 2012 to June 2017 to inform and guide the current elected public representatives in their term of office. This document outlines the Municipality's intent in terms of the agreed six strategic focus areas that are required to overcome Abaqulusi challenges, achieve its vision, and give effect to its other strategic considerations

It started in October 2014 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2015/16 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

Registration of community needs;

- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/15 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.7.3 Financial Modelling and Key Planning Drivers

Full compliance was done by the municipality during the compilation of the 2015/16 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/16 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, ESKOM increases, household debt, migration patterns)
- Performance trends
- The approved 2014/15 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 66, 67, 72 and 74 has been taken into consideration in the planning and prioritisation process.

1.7.4 Community Consultation

The draft 2015/16 MTREF will be tabled before Council on 26 March 2015 for community consultation and will be published on the municipality's website, and hard copies made available at customer care offices, municipal notice boards and various libraries. The final tabled before Council on the 28th of May 2015.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process and include public briefing sessions. The applicable date and venue will be published in all the local newspapers and an average attendance of 3,000 members of the community will be catered for. Other stakeholders involved in the consultation include churches, non-governmental institutions, community-based organisations and taxi associations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2015/16 MTREF. Feedback and responses to the submissions received will be available on request. The following are some of the issues and concerns raised as well as comments received during last year's consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Issues were raised regarding the payment of bonuses to senior managers;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

The changes affecting the final 2015/16 MTREF will be compared to the draft 2015/16 MTREF that will be tabled for community consultation will be included.

1.8 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this cycle is to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 29 IDP Strategic Objectives

Key Performance Area : Service Delivery & Basic Infrastructure Development <u>Strategic Goal:</u> To reduce levels of backlogs by providing Basic Services and Facilities to the people of Abaqulusi		
Strategic Focus Area/ Goal	Strategic Objectives	Development Strategy
1. Roads	To provide easy access and safe roads to the people of Abaqulusi by June 2017	Expand accessibility in various wards
		Maintain existing Roads in rural & urban areas
2. Storm water	To have a storm water system that is safe and reliable by June 2017	Ensure proper control of storm water
		Maintenance of existing storm water network in urban and rural areas
3. Water	To deliver safe and reliable water networks within Abaqulusi by June 2017	Improve accessibility in various wards
		Maintenance of current Water infrastructure in rural & urban areas
4. Sanitation	To have a sanitation system that is reliable and efficient by 2017	Ensure proper disposal of sanitation
		Maintenance of current sewer lines network in urban and rural areas
5. Electricity	To deliver safe and reliable electricity networks within Abaqulusi by June 2017	Improve accessibility in various wards
		Maintenance of current electrical

Key Performance Area : Service Delivery & Basic Infrastructure Development

Strategic Goal: To reduce levels of backlogs by providing Basic Services and Facilities to the people of Abaqulusi

Strategic Focus Area/ Goal	Strategic Objectives	Development Strategy
		network in Rural and Urban Areas
6. Sustainable Human Settlements	To provide Sustainable Human Settlements to people of Abaqulusi by June 2017	Implementation of the Housing Sector Plan
		Strengthen relationship with the Department of Human Settlements and Implementing Agents
7. Refuse Removal (solid waste) and Landfill Sites	To have a refuse removal system that is reliable and efficient by 2017	Ensure proper removal and disposal of refuse
8. Cemeteries	To ensure that there is sufficient burial space available to the people of Abaqulusi by June 2017	Identify cemeteries that require expansion
9. Libraries	To provide fully functioning libraries within Abaqulusi by June 2017	To expand library services to the whole of Abaqulusi Municipality
10. Museums	To ensure promotion of Abaqulusi history within the municipal jurisdiction and Zululand district by June 2017	Implementation of a Municipal History Promotion Plan
11. Parks	To ensure proper functioning and management of municipal parks within Abaqulusi by June 2017	Source funding for development and upgrading of municipal parks
12. Halls	To ensure proper functioning and management of municipal halls within Abaqulusi by June 2017	Source funding for development of new structure and upgrading of existing structures

Key Performance Area: Municipal Transformation and Institutional Development

Strategic Goal: *To be a municipality that has a fully qualified and competent staff compliment in order to execute all tasks as required by various legislations*

Strategic Focus Area/ Goal	Strategic Objectives	Development Strategy
1. Human Resource Management	To ensure that the municipality practice sound Human Resources management by June 2017	Implementation of HR Policies
		Implementation of Employment Equity plan.
		Implementation of the adopted organizational structure.
		Ensure that employee benefits are implemented effectively and efficiently.
		To maintain and promote a sound Labour Relations in the municipality
		To maintain and update a sound records management system.
2. Human Resource Development	To ensure that staff as well as councillors are exposed to capacity building initiatives by June 2017	Implementation of 5 year Workplace Skills Plan.
		Implementation of Induction Plan.
		Implementation of annual Workplace Skills Plan.
		Functioning of OHS Committees and other HRD related committees.
		Implement terms of reference of the training committee.
		Implement a wellness programme.
3. Council Support	To ensure that Council and its committee fulfil their executive and legislative functions and effective oversight roll over administration by June 2017.	Implementation of Rules of Order and Order of Delegations.
		Monitoring of annual council programme.

4. Records Management	To have a fully functional and effective record system by June 2017 which is fully compliant with National Archives and Records Services Act of 1996.	Implementation of the records management policy.
5. Public Participation	Improve public participation satisfaction by June 2017.	To ensure that communities participate in the overall planning (IDP) legislative (By laws and oversight) PMS by June 2017.
6. Fleet Management	Measure controls and fleet management system	Implementation of the Fleet policy.
7. ITC	To have a website that is easily accessible and informative by June 2017	Monitor Website on a daily basis

Key Performance Area: Financial Viability & Management

Strategic Focus Area	Strategic Objectives (WHAT YO WANT TO ACHIEVE)	Development Strategy (HOW YOU GOING TO ACHIEVE IT)
1. Revenue	To improve and protect revenue collection of the municipality by June 2017	Implementation of current Revenue Policies
		Monitor Indigent Register applications
2. Expenditure	To ensure full compliance of the MFMA and Municipal Policies/Procedures by June 2017	Ensure payment of service providers within 30 days
		Ensure reconciliations are performed
3. SCM	To ensure full compliance of the MFMA, SCM Regulations and Municipal Policies/Procedures by June 2017	Implementation of a Procurement Plan
		Implementation IUFW Register and S36/32 Register
		Implementation of SCM Policies
		Verify credibility of the SCM Database
		Monitor functionality of Municipal Stores
4. Asset Management	To have a GRAP Compliant Assets Register by June 2016	Constant monitoring of all municipal assets
5. Budget	To ensure full compliance of the MFMA and Municipal Policies/Procedures by June 2016	Ensure stringent control over budget implementation

Key Performance Area : Good Governance and Community Participation

Strategic Focus Area	Strategic Objectives	Development Strategy
1. Fraud and Corruption	Eradicate fraud and corruption by June 2017	Implementation of a fraud and corruption policy
2. Communication and relationship building	Improve communications between municipalities and its stakeholders by June 2017	Implementation of the Communication Strategy
3. Customer care and satisfaction	Improve current customer satisfaction by June 2017	
5. IDP	Promote integrated development planning by June 2017	Implementation of Municipal IDP Process Plan
		Implementation of Municipal IDP
6. Back to Basics	To be a municipality that primarily focuses on the Basics when rendering services	Implementation of the National Back to Basics Programme

Key Performance Area: Local Economic Development and Social Development

Strategic Focus Area	Strategic Objectives	Development Strategy
1. Job Creation	To increase employment opportunities in the municipality by June 2017	Promoting SMME, Entrepreneurial and Youth Development
2. Natural Resources	Unleashing Agricultural Potential by June 2017	Support for and development of local farmers
	To promote sustainability & ensure protection of municipal natural resources and heritage sites by June 2017	Identification of Heritage sites and natural resources
3. Tourism	To promote tourism opportunities in the municipality by June 2017	Revitalise current tourism attractions and identify potential new ones
4. Informal economy	To ensure full functionality of Informal Traders within Abaqulusi	Support Informal Traders
5. LED Strategy	To address all economic sectors within Abaqulusi by June 2017	Implementation of the LED Strategy

Key Performance Area: Local Economic Development and Social Development

6. Public Safety	To provide a fully functional public safety unit in Abaqulusi by June 2017	To ensure proper functioning of public safety unit
7. Safety and security	Enhancing safety and security by June 2017	Supporting the Community Policing Forum
8. Special Groups	Promote youth, disabled, elderly & women development	Implementation of a Special Groups Plan
9. HIV/AIDS	To reduce the impact of HIV/AIDS by June 2017	Support Department of Health and Social Development on their HIV/AIDS and STI's interventions
10. Sport development	To promote sports development by June 2017	To ensure proper functioning and management of sports facilities within Abaqulusi by June 2017
11. Arts and culture	To promote arts & culture within Abaqulusi by June 2017	To ensure proper functioning and management of arts, culture and recreation

Key Performance Area : Cross Cutting (*Spatial, Environment and Disaster Management*)

Strategic Focus Area	Strategic Objectives (WHAT YO WANT TO ACHIEVE)	Development Strategy (HOW YOU GOING TO ACHIEVE IT)
1. LUMS	To promote harmonious & co-ordinated land uses to achieve a sustainable environment by June 2017	Implementation and Enforcement of the Town Planning Scheme
2. SDF	To ensure effective management of current and desirable land uses by June 2016	Implementation of existing Municipal Spatial Development Framework Implementation of existing Precinct Plans
3. Building Inspectorate	To ensure compliance with the South African National Building Regulations and SANS 400	Implementation of SANS 400
4. GIS	To ensure that all GIS data is accessible and readily available to the municipal departments and members of the public by June 2017	Facilitate data exchange between municipal departments, ZDM and service providers.

Key Performance Area : Cross Cutting (*Spatial, Environment and Disaster Management*)

Strategic Focus Area	Strategic Objectives (WHAT YO WANT TO ACHIEVE)	Development Strategy (HOW YOU GOING TO ACHIEVE IT)
5. Fire and Disaster Management	To establish a fully functional fire and disaster management unit in Abaqulusi by June 2017	Strengthen inter-governmental relations with Provincial and District Disaster Management Units Establishment of a fire and disaster management unit

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

- Low economic growth and unemployment
- Poor access to basic household services
- High levels of poverty
- Low levels of literacy and skills development
- The issue of HIV / AIDS and other diseases
- Exposure to unacceptably high level of crime and risk
- Unsustainable development practices
- Ineffective, inefficient, inward looking local government

LOCAL PRIORITIES

- To build a functionally efficient and local government structure
- To maintain financial stability and sustainability
- To create an integrated and efficient spatial structure
- To promote equitable access to infrastructure and basic services
- To improve the standard of living for the entire community of Abaqulusi municipality
- To facilitate economic development and growth

2. Provision of quality basic services and infrastructure which includes, amongst others:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;
- Provide housing;
- Provide roads and storm water;

- Provide municipality planning services; and
- Maintaining the infrastructure of the Municipality.

3. Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for the Municipality;
- Ensuring planning processes function in accordance with set timeframes;
- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Working with the provincial department of health to provide primary health care services;
- Extending waste removal services and ensuring effective municipality cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the new IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zone planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2015/16 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 30 KZN263 Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Cod e	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand													
Basic Service Delivery	Electricity		2	137 183	134 392	156 967	165 419	167 830	139 656	172 517	189 769	208 746	
	Water			23 241	36 107	39 962	39 759	47 587	36 315	50 290	55 318	60 850	
	Sanitation			14 809	16 411	19 208	22 170	22 091	24 864	24 685	27 153	29 869	
Infrastructure	Waste Management			14 396	15 765	17 453	19 636	19 636	14 216	18 238	20 062	22 068	
	Roads			18 627	29 667	33 073	3 892	45 702	18 476	3 764	3 971	4 189	
	Cemeteries			198	178	187	205	197	164	209	220	232	
	Housing												
Good Governance	Community			1 734	1 815	2 939	5 833	5 536	4 421	3 565	3 759	3 945	
	Support Services & Fleet			755	697	2 837	2 049	5 317	5 827	303	319	337	
	Planning & Development			184	995	21 774	582	495	133	176	186	196	
	Financial Management			103 526	116 228	173 043	145 083	150 719	148 310	169 646	174 513	177 259	
Safety & Security	Executive & Council			3 731	6 161	6 909	8 517	8 517	511	8 998	9 493	10 064	
	Public Safety			5 696	5 210	11 783	6 058	3 650	2 651	5 722	6 037	6 356	
Social Development	Culture & Sport				125	141	35	151	151	1	100	100	100
Allocations to other priorities				1									
Total Revenue (excluding capital transfers and contributions)			1	324 206	363 768	486 169	419 353	477 428	395 547	458 213	490 901	524 212	

Table 31 KZN263 Table SA5 - Reconciliation between the IDP Strategic Objectives and Budgeted Operating Expenditure

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand													
Basic Service Delivery	Electricity		1	147 023	156 936	168 551	183 737	179 753	137 432	193 910	204 575	215 827	
	Water			40 766	55 172	50 466	31 030	32 817	27 064	33 050	34 868	36 787	
Sanitation		22 271		23 312	27 541	29 963	32 825	26 455	33 781	35 639	37 599		
Waste Management		11 983		12 251	17 867	19 073	21 693	18 596	23 301	24 583	25 935		
Infrastructure	Roads			55 822	93 593	60 911	42 030	79 722	30 230	46 730	54 575	57 577	
	Cemeteries			1 237	1 350	1 461	3 039	2 657	1 237	2 985	3 150	3 317	
	Housing			880	1 348	1 059	1 707	1 698	1 581	1 865	1 968	2 076	
	Community			10 067	12 479	12 359	16 310	15 559	12 072	15 123	15 955	16 801	
Good Governance	Support Services & Fleet			19 397	17 293	34 350	20 659	24 356	15 166	21 965	23 173	24 439	
	Planning & Development			3 326	3 662	4 767	4 789	5 327	3 730	7 100	7 491	7 903	
	Financial Management			17 341	22 599	27 418	22 540	29 861	23 036	27 588	29 043	30 571	
	Executive & Council			39 238	47 323	39 323	45 332	46 409	37 299	49 796	52 537	55 327	
Safety & Security	Public Safety			15 638	14 003	14 353	27 037	24 092	20 150	27 676	29 514	31 079	
Social Development	Culture & Sport			2 792	2 891	3 232	3 840	3 292	2 200	4 078	4 303	4 531	
	Tourism			320	399	361	483	510	326	581	613	646	
Allocations to other priorities													
Total Expenditure				1	388 100	464 610	464 020	451 569	500 572	356 574	489 531	521 986	550 412

Table 32 KZN263 Table SA6 - Reconciliation between the IDP Strategic Objectives and Budgeted Capital Expenditure

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand													
Basic Service Delivery	Electricity	A		–	9 027	10 919	13 540	13 540	12 828	22 180	23 410	24 652	
	Water	B		–	–	22	2 086	1 030	1 030	2 025	2 136	2 254	
	Waste Water	C		–	–	14	54	20	20	1 550	1 635	1 725	
	Waste	D		–	–	–	304	274	330	320	338	356	
	Community	E		283	122	151	1 160	1 190	1 183	1 690	1 783	1 877	
	Infrastructure	F		16 501	22 834	30 038	34 488	34 433	34 433	35 886	37 223	39 217	
	Good Governance	Planning & Development		G	–	–	251	95	40	40	40	42	45
		Support Services & Fleet		H	–	63	110	497	497	103	770	812	857
		Executive & Council		I	–	13	–	–	–	–	–	–	–
		Financial Management		J	503	49	63	240	140	7	600	633	667
Allocations to other priorities			3										
Total Capital Expenditure			1	17 287	32 108	41 569	52 463	51 164	49 974	65 061	68 012	71 650	

1.9 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

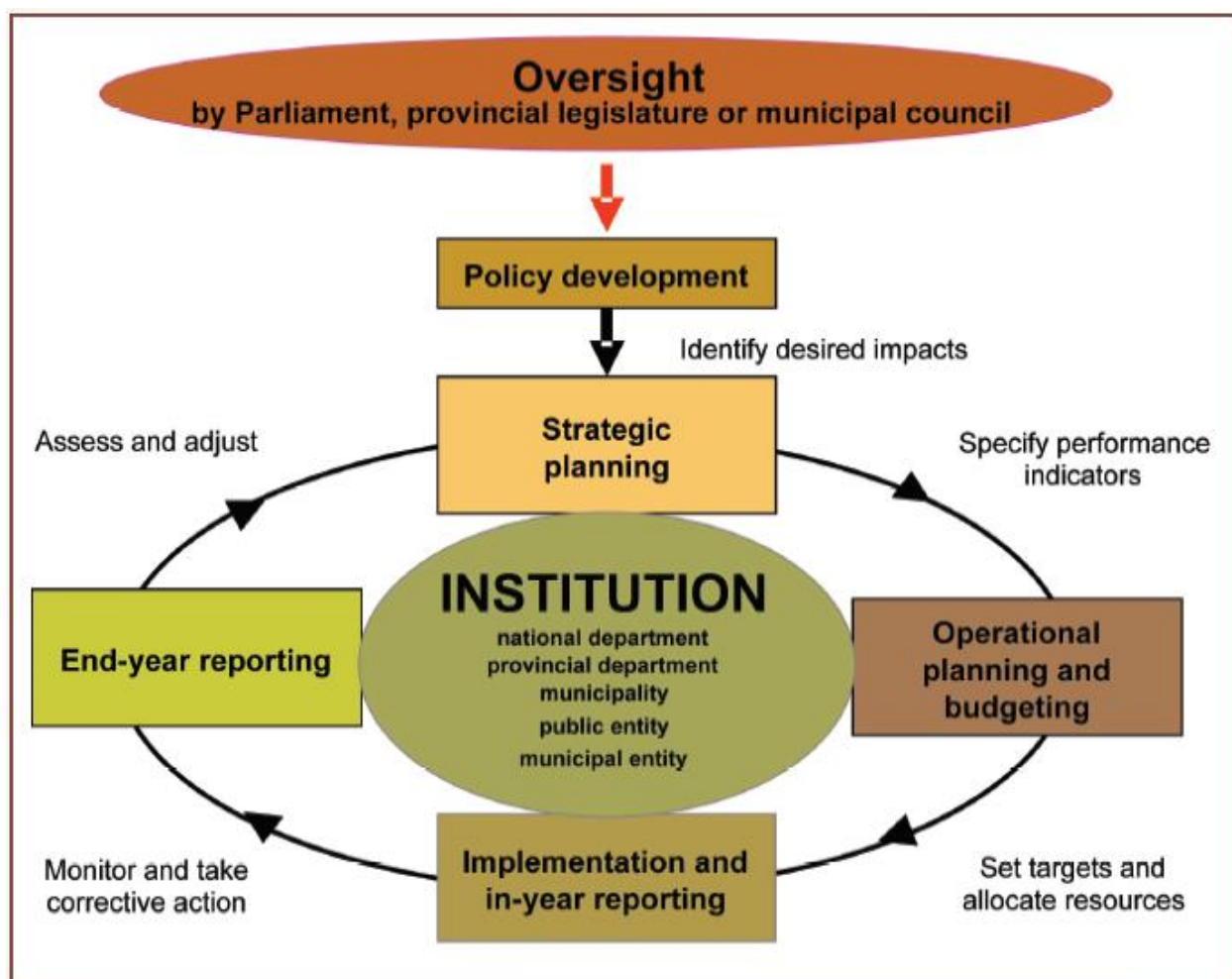


Figure 5 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

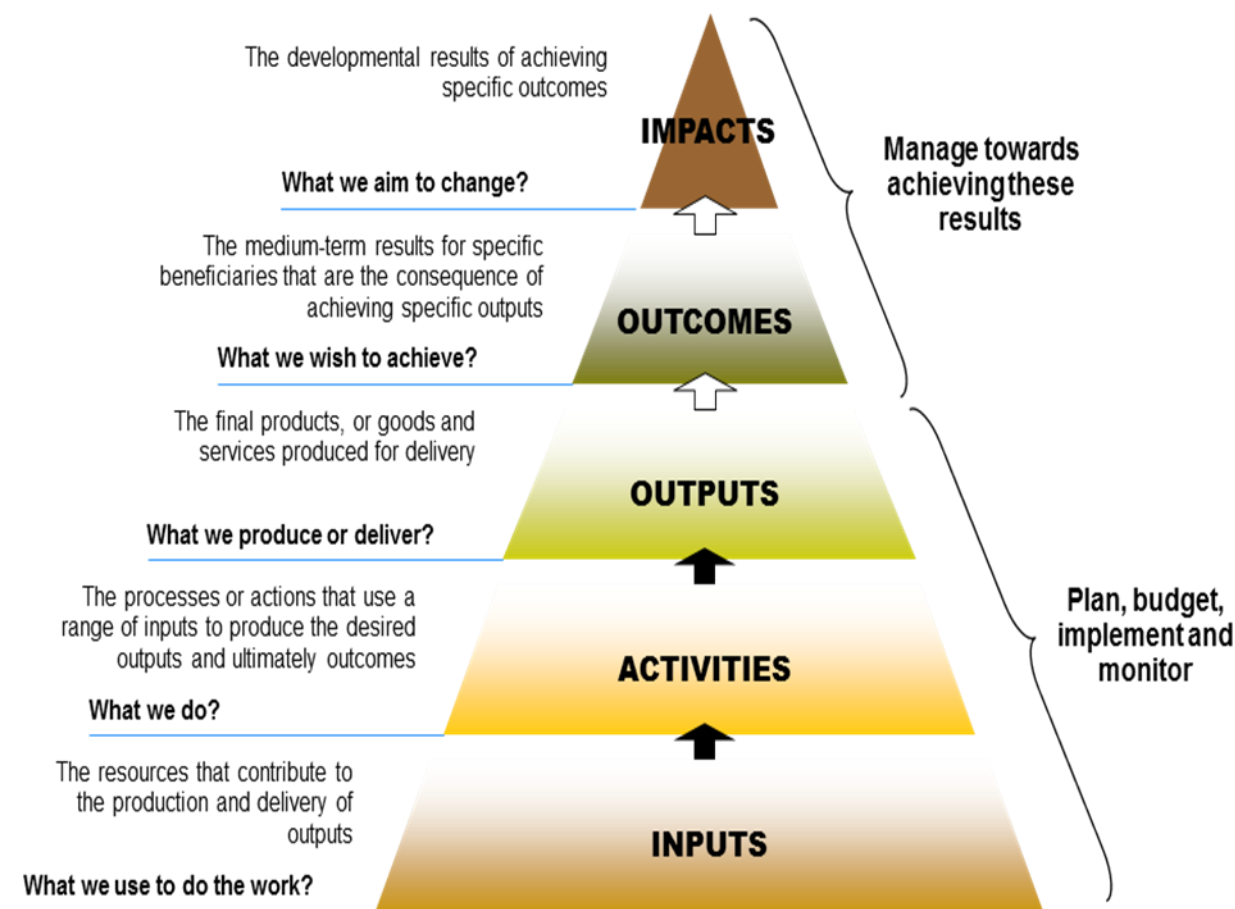


Figure 6 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 33 KZN263 Table SA7 - Measurable performance objectives

Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Vote 1 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Vote 2 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Function 2 - (name)										

Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Vote 3 - vote name										
Function 1 - (name)										
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The following table sets out the municipalities main performance objectives and benchmarks for the 2015/16 MTREF.

Table 34 KZN263 Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	1.5%	0.2%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.1%	2.6%	0.3%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	-456.2%	-285.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	1.4	1.5	2.1	1.6	2.9	2.2	1.7	2.2	2.2	2.2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.4	1.5	2.1	1.6	2.9	2.2	1.7	2.2	2.2	2.2
Liquidity Ratio	Monetary Assets/Current Liabilities	0.6	1.0	0.9	1.1	1.4	1.0	0.8	1.0	1.0	1.0
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		150.7%	101.0%	84.8%	66.1%	59.0%	66.2%	84.4%	86.4%	86.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		150.7%	101.0%	84.8%	66.1%	59.0%	66.2%	84.4%	86.4%	86.9%	87.3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	14.1%	12.1%	14.5%	3.8%	12.2%	15.0%	18.3%	12.3%	11.5%	10.8%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))										
Creditors to Cash and Investments		47.3%	40.8%	69.2%	36.0%	88.0%	29593.0%	22245.9%	46.9%	21.8%	13.6%

Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)	36252442	39785433	32269451	25000000	15658012	15658012	15658012	15000000	12000000	10000000
	% Volume (units purchased and generated less units sold)/units purchased and generated	31 902	35 807	35 210							
		0	0	0	0	0	0	0	0	0	0
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)	6 596	4 410	2 632	3 500	1 952	1 952	1 952	1 800	1 500	1 000
	% Volume (units purchased and generated less units sold)/units purchased and generated	15434	15700	20296	12000						
		0	0	0	0	0	0	0	0	0	0
Employee costs	Employee costs/(Total Revenue - capital revenue)	28.7%	30.0%	21.3%	27.6%	24.4%	24.1%	23.3%	24.8%	24.5%	24.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	32.4%	32.6%	24.2%	31.3%	27.6%	27.1%		28.1%	27.7%	27.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.1%	4.4%	2.9%	6.8%	5.9%	4.1%		5.0%	5.9%	5.8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	22.7%	28.0%	18.4%	4.9%	4.5%	5.1%	6.5%	4.3%	4.2%	4.2%
IDP regulation financial viability indicators	-										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	37.1	55.5	-	-	-	-	69.5	110.7	113.9	123.6
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	21.3%	19.0%	26.9%	5.4%	19.4%	23.9%	29.8%	19.2%	17.6%	16.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.9	3.5	2.1	1.6	1.1	0.0	0.0	2.3	4.6	7.0

1.9.1 Performance indicators and benchmarks**1.9.1.1 Borrowing Management**

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Abaqulusi Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2015/16 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is 0% and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.
- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has remained steady from 0,1 % in 2011/12 to 2014/15. It is estimated that the cost of borrowing as a percentage of the operating expenditure will remain at 0 % in 2015/16 and will then remain at 0 % at the end of the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is 0 % which substantiates the above mentioned statement that the Municipality has reached its prudential borrowing limits.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2015/16 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

1.9.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves. As part of the planning guidelines that informed the compilation of the 2015/16 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability objective, hence the ratio remains at 0%.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. The ratio remains at 0%.

1.9.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2015/16 MTREF the current ratio is 0 in the 2015/16 financial year and remains at 0 for the two outer years of the MTREF. Going forward the municipality will have to maintain the ratio above 1.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2014/15 financial year the ratio was 1.1. and as part of the financial planning strategy it has been decreased to 1.0 in the 2015/16 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious

financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

1.9.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

1.9.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 % compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

1.9.1.6 Other Indicators

- The electricity distribution losses have decreased from 24.84% to 19,44%. The initiatives to ensure these targets are controlled and lowered during the 2015/16 financial year include managing illegal connections and theft of electricity by auditing all systems, including prepaid meters.
- The water distribution losses continue to decrease from 54.79% in 2013/14 to 49,56% in 2014/15. The municipality will have to introduce a water leakage report and action centre. Also areas currently not metered will have to have meters installed to ensure residents pay for water consumed. It is planned to further try and reduce distribution losses from 50% in 2014/15 to 20% by 2017/18.
- Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

1.9.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services and all indigents must apply annually and these applications will be scrutinized to ensure they are genuine.

For the 2015/16 financial year registered indigents have been provided for in the budget with this figured increasing by 2017/18. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, 6 kl sanitation and free waste removal equivalent to 85t once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 A10 (Basic Service Delivery Measurement) on page 38.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

1.9.3 Providing clean water and managing waste water

The Municipality is in the process of applying to the Department of Water Affairs to become the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The water is generated from the Municipality's own water sources, such as boreholes and small dams.

The waste water plants will require renewals/upgrading to meet the minimum Green Drop certification standards. This has been prioritised as part of the 2015/16 medium term capital budget.

The following is briefly the main challenges facing the Municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that need to be undertaken to address these challenges:

- Infrastructure shortcomings will be addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Section will embark on an in-house training programme, especially for operational personnel;
- The section is working in consultation with the Department of Water Affairs to address catchment management.

1.10 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.10.1 Review of credit control and debt collection procedures/policies

The policy adopted last year is credible, sustainable, manageable and informed by affordability and value for money. During the 2015/16 financial year there will be a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, an Integrated Indigent Exit Programme will have to be developed to link the registered indigent households to development, skills and job opportunities. The programme will further seek to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 92 % on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

1.10.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. An Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy will prescribe the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.10.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

1.10.4 Supply Chain Management Policy

The amended Supply Chain Management Policy must be adopted by Council in March 2015. The amendments have been extensively consulted on.

1.10.5 Budget and Virements Policy

The Budget and Virements Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virements Policy was approved by Council in May 2011 in respect of both Operating and Capital Budget Fund Transfers.

1.10.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy were approved by Council in January 2011. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

1.10.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

1.10.8 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy will be compiled during the 2015/16 MTREF with the emphasis on affordability and long-term sustainability. The policy will dictate the approach to longer term financial modelling. The outcomes will then be filtered into the budget process. The model and scenario planning outcomes will be taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy will be the emphasis on financial sustainability. Amongst others, the following will be modelled as part of the financial modelling and scenario planning process:

- Approved 2014/15 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above existing policies are available on the Municipality's website, and all new policies will be placed on the website once adopted by Council. These include the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

1.11 Overview of budget assumptions

1.11.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.11.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro economic targets;

- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs comprise 25% of total operating expenditure in the 2015/16 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget

1.11.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions.

1.11.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (92 %) of annual billings. Cash flow is assumed to be 92 % of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.11.5 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.11.6 Salary increases

The multi-year Salary and Wage Collective Agreement has come to an end and in the absence of other information from SALGBC municipalities were advised to budget for an annual increase of 5.8 % for the 2015/16 financial year and for the two outer years 5.5% and 5,3% has been utilized. advised by National Treasury in MFMA Circular 74.

1.11.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.11.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 % is achieved on operating expenditure and 98 % on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

1.12 Overview of budget funding

1.12.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 35 Breakdown of the Operating Revenue over the Medium-Term Revenue & Expenditure Framework

Description	2015/16 Medium Term Revenue & Expenditure Framework					
R thousands	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Financial Performance						
Property rates	R 61 694 000.00	12.05%	R 65 087 170.00	11.90%	R 68 536 790.00	11.75%
Service charges	R 265 729 940.00	51.92%	R 292 302 940.00	53.46%	R 321 533 240.00	55.14%
Investment revenue	R 3 405 650.00	0.67%	R 3 592 960.00	0.66%	R 3 783 390.00	0.65%
Transfers recognised - operational	R 114 029 780.00	22.28%	R 115 832 250.00	21.18%	R 115 534 100.00	19.81%
Other own revenue	R 66 919 240.00	13.08%	R 69 996 420.00	12.80%	R 73 685 410.00	12.64%
Total Revenue (excluding capital transfers and contributions)	R 511 778 610.00	100.00%	R 546 811 740.00	100.00%	R 583 072 930.00	100.00%

The following graph is a breakdown of the operational revenue per main category for the 2015/16 financial year.

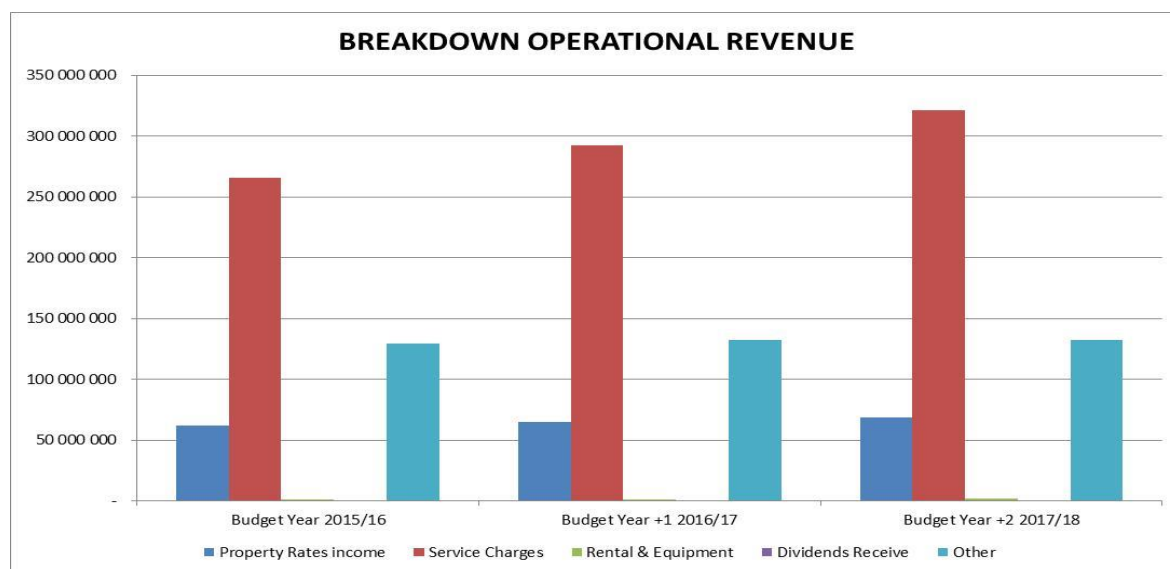


Figure 7 Breakdown of operating revenue over the 2015/16 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 92 % annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2015/16 MTREF on the different revenue categories are:

Table 36 Proposed tariff increases over the medium-term – Revenue Category

Description	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source							
Property rates	55 650 000	55 750 000	48 264 994	36 198 883	60 210 000	63 521 550	66 888 190
Electricity revenue	161 919 370	155 330 030	132 185 643	100 716 571	172 517 400	189 769 150	208 746 060
Water revenue	39 758 700	47 587 000	36 043 685	27 039 444	50 289 500	55 318 450	60 850 300
Sanitation revenue	22 170 110	22 091 060	24 863 883	18 651 591	24 684 800	27 153 280	29 868 610
Refuse revenue	16 136 010	16 136 010	14 216 226	10 661 952	18 238 240	20 062 060	22 068 270
TOTAL	295 634 190	296 894 100	255 574 431	193 268 441	325 939 940	355 824 490	388 421 430

Revenue to be generated from property rates is R61,6 million in the 2015/16 financial year and increases to R68,5 million by 2017/18 which represents 12% of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll. As the levying of property rates is considered strategic revenue source further supplementary valuation processes will be undertaken during the 2015/16 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R265,7 million for the 2015/16 financial year and increasing to R321,5 million by 2017/18. For the 2015/16 financial year services charges amount to 51,9% of the total revenue base and remains constant over the medium-term.

Operational grants and subsidies amount to R114,3 million, R115,8 million and R115,3 million for each of the respective financial years of the MTREF, or 22,3% , 21,2% and 19,8% of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R3,4 million, R3,5 million and R3,7 million for the respective three financial years of the 2015/16 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 37 KZN263 SA15 – Detail Investment Particulars by type

Investment type	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
<u>Parent municipality</u>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		49 580	78 084	41 643	75 000			45 000	45 000	45 000
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	49 580	78 084	41 643	75 000	-	-	45 000	45 000	45 000
<u>Entities</u>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		49 580	78 084	41 643	75 000	-	-	45 000	45 000	45 000

Table 38 KZN263 SA16 – Investment Particulars by Maturity

Investments by Maturity	Ref	Period of Investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	1	Yrs/Months					
Parent municipality							
ABSA (Notice Deposit)			918	9			928
ABSA (Guarantee ESKOM)			1 490	–			1 490
ABSA (Call)			65	2			67
ABSA (Call)			502	35			536
ABSA (Call)			735	29			764
ABSA (Call)			2 167	85			2 252
SIMS			1 817	73			1 891
FIRST NATIONAL			5 514	299			5 812
INVESTEC BANK			11 425	708			12 133
STANDARD BANK			5 868	311			6 179
STANDARD BANK			11 142	620			11 762
							–
Municipality sub-total			41 643	2 171	–	–	43 814
TOTAL INVESTMENTS AND INTEREST	1		41 643		–	–	43 814

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The draft MTREF therefore provides for a budgeted deficit of R31,3 million and then R31 million and R26,2 in each of the financial years. The municipality is seriously busy with an exercise of remodelling the tariffs for electricity in the 2015/16 financial year as the ESKOM increases of the past years which have been significantly more than the percentage the municipality was allowed to increase the tariffs is having a negative impact on the cash flow

1.12.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2015/16 medium-term capital programme:

Table 39 Sources of Capital Revenue over the MTREF – Medium Term Revenue & Expenditure Framework A5 Capital

Vote Description	Current Year 2014/2015			2015/16 Medium Term Revenue & Expenditure Framework						
	Adjusted Budget	%	Pre-audit outcome	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Funded by:										
National Government	43 158		43 158		53 566		55 885		58 861	
Provincial Government										
District Municipality										
Other transfers and grants										
Transfers recognised - capital	43 158	80%	43 158	85%	53 566	82%	55 885	82%	58 861	82%
Public contributions & donations										
Borrowing										
Internally generated funds	11 006	20%	7 816	15%	11 495	18%	12 127	18%	12 789	18%
Total Capital Funding	54 164	100%	50 974	100%	65 061	100%	68 012	100%	71 650	100%

The above table is graphically represented as follows for the 2015/16 financial year.

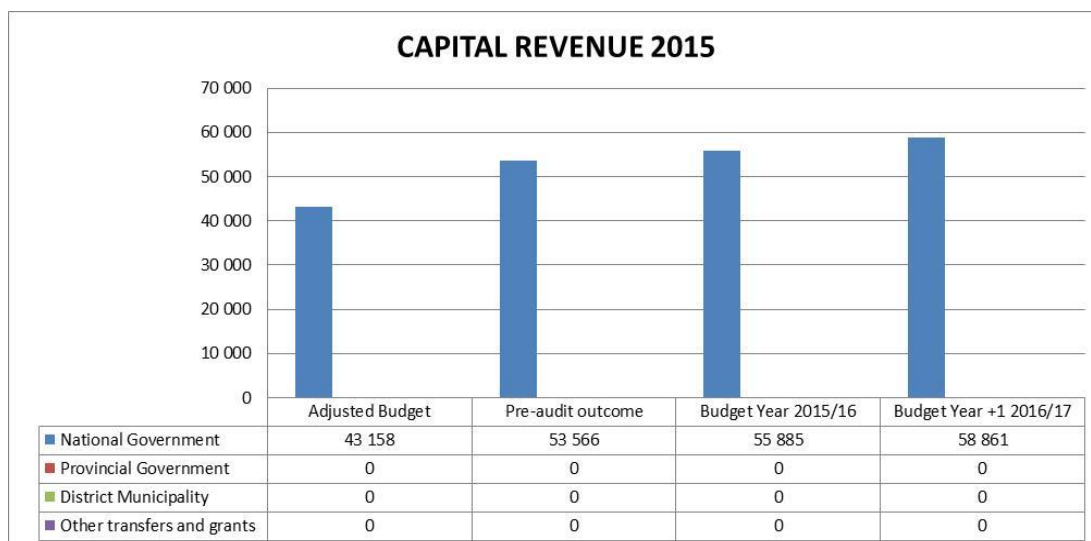


Figure 8 Sources of capital revenue for the 2015/16 financial year

Capital grants and receipts represents R11, 4 million from own funding and R53,5 from grant funding for the 2015/16 financial year.

The following table is a detailed analysis of the Municipality's borrowing liability.

Table 40 KZN263 Table SA 17 - Detail of Borrowings Categorised by Type

Borrowing - Categorised by type	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Parent municipality										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total	1	-	-	-	-	-	-	-	-	-
Entities										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										

Borrowing - Categorised by type	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Entities sub-total	1	-	-	-	-	-	-	-	-	-
Total Borrowing	1	-	-	-	-	-	-	-	-	-

Unspent Borrowing - Categorised by type										
Parent municipality										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total		1	-	-	-	-	-	-	-	-
Entities										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										

Borrowing - Categorised by type R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Entities sub-total	1	-	-	-	-	-	-	-	-	-
Total Unspent Borrowing	1	-	-	-	-	-	-	-	-	-

Figure 9 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Table 41 KZN263 Table SA 18 - Capital transfers and Grant Receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
RECEIPTS:	1, 2									
-										
<u>Operating Transfers and Grants</u>										
National Government:		71 758	96 444	101 839	108 344	109 060	106 119	128 640	131 262	131 779
Local Government Equitable Share		69 308	84 293	89 399	95 434	96 150	93 129	106 693	108 185	107 469
		-	-	-	-	-	-	-	-	-
Finance Management		1 450	1 500	1 550	1 600	1 600	2 103	1 600	1 625	1 700
Municipal Systems Improvement		1 000	800	890	934	934	511	930	957	1 033
Integrated National Electrification Programme		-	9 000	9 000	9 000	9 000	9 000	18 000	19 000	20 000
EPWP Incentive		-	851	1 000	1 376	1 376	1 376	1 417	1 495	1 577
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		1 486	1 565	5 647	7 101	13 953	12 203	3 295	3 470	3 645
Sport and Recreation		-	-	150	2 250	1 750	-	-	-	-
Museum		125	134	143	299	151	151	166	175	184
Small Town Rehabilitation						7 500	7 500			
Massification: Water Infrastructure										
Community Library Services		186	197	240	252	252	252	340	358	377
Provincialisation of Libraries		1 175	1 234	2 592	2 700	2 700	2 700	2 789	2 937	3 084
EDI										
MAP										
Thusong Centre				2 522	1 250	1 250	1 250			
Schemes Support Grant					350	350	350			
District Municipality:		100	100	50	100	100	-	100	100	100
[insert description]		-	-	-	-	-	-	-	-	-
ZDM Tourism Grant		100	100	50	100	100	-	100	100	100
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Total Operating Transfers and Grants	5	73 344	98 109	107 536	115 545	123 113	118 322	132 035	134 832	135 524
<u>Capital Transfers and Grants</u>										
National Government:		16 494	22 801	29 907	34 158	34 158	34 158	35 566	36 885	38 861
Municipal Infrastructure Grant (MIG)		16 494	22 801	29 907	34 158	34 158	34 158	35 566	36 885	38 861
Other capital transfers/grants [insert desc]		–	–	–	–	–	–	–	–	–
Provincial Government:		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
Total Capital Transfers and Grants	5	16 494	22 801	29 907	34 158	34 158	34 158	35 566	36 885	38 861
TOTAL RECEIPTS OF TRANSFERS & GRANTS		89 838	120 910	137 443	149 703	157 271	152 480	167 601	171 717	174 385

1.12.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 42 KZN263 Table A7 - Budget Cash Flow from Operating Activities Statement

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		201 858	42 426	51 150	55 650	55 750	48 565	48 565	61 644	65 034	68 481
Service charges		101 115	195 475	210 820	239 984	241 144	207 309	207 309	265 730	292 303	321 533
Other revenue		16 494	3 587	8 258	13 326	15 226	8 127	8 127	13 348	14 082	14 834
Government - operating	1	3 522	135 052	136 919	106 545	115 588	115 588	115 588	114 030	115 832	115 534
Government - capital	1	–	–	–	43 158	34 158	34 158	34 158	53 500	55 800	58 800
Interest			3 979	4 375	4 254	2 685	2 685	2 685	3 406	3 593	3 783
Dividends									–	–	–
Payments											
Suppliers and employees		(269 060)	(317 998)	(351 811)	(415 236)	(415 236)	(415 136)	(415 136)	(364 030)	(384 066)	(404 986)
Finance charges		(126)	(4 512)	(892)	–	(650)	(650)	(650)	–	–	–
Transfers and Grants	1	(27 871)	(19 019)	(33 644)	(12 626)	(27 893)	(20 000)	(20 000)	(15 346)	(16 191)	(17 078)
NET CASH FROM/(USED) OPERATING ACTIVITIES		25 931	38 991	25 173	35 056	20 773	(19 354)	(19 354)	132 281	146 389	160 902
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		956	847	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		18 293	–	–	10 000	–	–	–	–	–	–
Payments											
Capital assets		(13 360)	(16 947)	(48 252)	(43 158)	(34 158)	(34 158)	(34 158)	(53 500)	(55 800)	(58 800)
NET CASH FROM/(USED) INVESTING ACTIVITIES		5 889	(16 100)	(48 252)	(33 158)	(34 158)	(34 158)	(34 158)	(53 500)	(55 800)	(58 800)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	(1 401)	(7 595)	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		479	909	615	480	480	480	480	–	–	–
Payments											
Repayment of borrowing		–	(1 856)	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		479	(2 348)	(6 981)	480	480	480	480	–	–	–

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
NET INCREASE/ (DECREASE) IN CASH HELD		32 300	20 543	(30 059)	2 378	(12 905)	(53 032)	(53 032)	78 781	90 589	102 102
Cash/cash equivalents at the year begin:	2	30 368	62 668	83 211	53 151	53 151	53 151	53 151	120	78 901	169 490
Cash/cash equivalents at the year end:	2	62 668	83 211	53 151	55 529	40 246	120	120	78 901	169 490	271 592

The above table shows that cash and cash equivalents of the Municipality were largely depleted between the 2011/12 and 2014/15 financial year moving from a positive cash balance of R62,6 million to a balance of R53 million with the approved 2014/15 MTREF. With the 2014/15 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality will have to undertake an extensive debt collection process to boost cash levels in the 2015/16 financial year. These initiatives and interventions still translate into a negative cash position for the Municipality and it is projected that cash and cash equivalents on hand will decrease by the financial year end. For the 2015/16 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to increase in 2015/16 and steadily increase by 2017/18. This schedule will be revisited before the final draft is presented in May 2015.

1.12.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 43 KZN263 Table A8 - Cash backed reserves / accumulated surplus reconciliation

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	62 668	83 211	53 151	55 529	40 246	120	120	78 901	169 490	271 592
Other current investments > 90 days		(26 910)	0	0	(15 529)	20 754	59 880	59 880	(18 901)	(109 490)	(211 592)
Non current assets - Investments	1	26 910	-	-	-	-	-	-	-	-	-
Cash and investments available:		62 668	83 211	53 151	40 000	61 000	60 000	60 000	60 000	60 000	60 000
<u>Application of cash and investments</u>											
Unspent conditional transfers		19 193	33 505	6 310	15 000	-	-	27 236	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(35 571)	(10 113)	(22 927)	9 417	999	(5 447)	(22 613)	(17 434)	(17 750)	(17 998)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(16 378)	23 392	(16 617)	24 417	999	(5 447)	4 623	(17 434)	(17 750)	(17 998)
Surplus(shortfall)		79 046	59 818	69 768	15 583	60 001	65 447	55 377	77 434	77 750	77 998

From the above table it can be seen that the cash and investments available total R43 million in the 2015/16 financial year and increases to R45 million by 2017/18, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2014/15 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. For the 2015/16 financial year no provision has been made for this liability as the total unspent conditional grant liability has been factored into the 2015/16 capital programme of the Municipality. The Municipality will apply for the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants needs to be motivated as part of existing projects.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year-end obligations. The municipality will not have a liability as VAT is normally claimed from SARS.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2014/15 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

The 2015/16 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is not funded as expenditure is more than the anticipated revenue. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

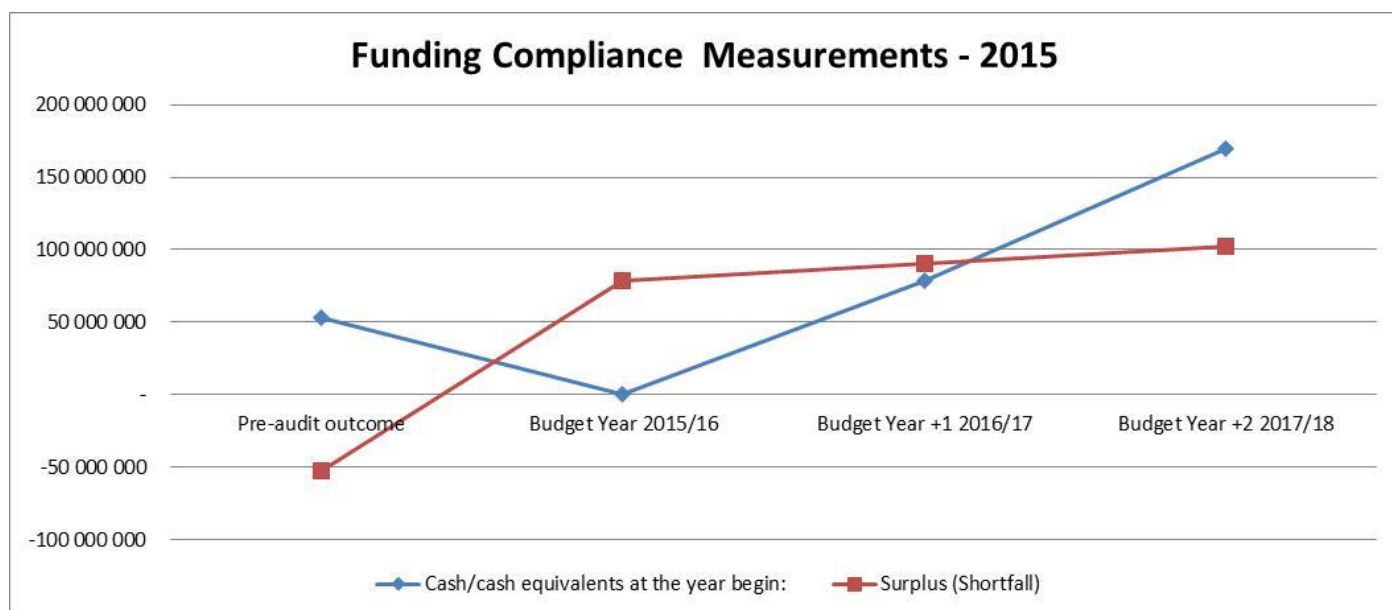


Figure 10 Cash and cash equivalents / Cash backed reserves and accumulated funds
1.12.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 44 KZN263 SA10 – Funding compliance measurement

Description	MFMA section	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Funding measures	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	62 668	83 211	53 151	55 529	40 246	120	120	78 901	169 490	271 592
Cash + investments at the yr end less applications - R'000	18(1)b	2	79 046	59 818	69 768	15 583	60 001	65 447	55 377	77 434	77 750	77 998
Cash year end/monthly employee/supplier payments	18(1)b	3	2.9	3.5	2.1	1.6	1.1	0.0	0.0	2.3	4.6	7.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	7.3%	7.7%	8.0%	(5.4%)	(19.9%)	(30.4%)	3.6%	3.2%	3.1%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	150.7%	101.0%	84.8%	66.1%	59.0%	66.2%	84.4%	86.4%	86.9%	87.3%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	2.8%	3.2%	2.7%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%
Capital payments % of capital expenditure	18(1)c;19	8	77.3%	52.8%	116.1%	76.5%	63.1%	67.0%	67.0%	82.2%	82.0%	82.1%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	(456.2%)	(285.3%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	0.9%	61.4%	(77.3%)	264.5%	5.8%	(5.5%)	8.0%	0.0%	0.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.5%	0.8%	0.7%	2.9%	1.4%	0.8%	1.3%	1.2%	1.5%	1.6%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

1.12.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2015 / 16 MTREF shows a surplus of R 78 million, R 169 million and R 271 million for each respective financial year.

1.12.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.12.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

1.12.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2015/16 MTREF the indicative outcome is a surplus of R 77 million, R77 million and R77 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

1.12.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 5.6% – 5.4 %). The result is intended to be an approximation of the real increase in revenue. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

1.12.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 100 % for each of the respective financial years. Given that the assumed collection rate was based on a 92 % performance target, the cash flow statement has been conservatively determined. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

1.12.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 0 % over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

1.12.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

1.12.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0 % of own funded capital. Further details relating to the borrowing strategy of the Municipality can be found on 66.

1.12.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 % could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

1.12.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtors' accounts within 30 days.

1.12.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 60 KZN263 SA34C on page 90.

1.12.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 SA34b on page 89.

1.13 Expenditure on grants and reconciliations of unspent funds

Table 45 KZN263 SA19 – Expenditure on Transfers and Grant Programmes

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
EXPENDITURE:	1									
- Operating expenditure of Transfers and Grants										
National Government:										
Local Government Equitable Share										
Finance Management										
Municipal Systems Improvement										
Integrated National Electrification Programme										
EPWP Incentive										
Other transfers/grants [insert description]										
Provincial Government:										
Sport and Recreation										
Museum										
Small Town Rehabilitation										
Massification: Water Infrastructure										
Community Library Services										
Provincialisisation of Libraries										
EDI										
MAP										
Thusong Centre										
Schemes Support Grant										
District Municipality:										
District Municipality:										
ZDM Tourism Grant										
Other grant providers:										
[insert description]										
Total operating expenditure of Transfers and Grants:										

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure of Transfers and Grants										
National Government:										
Municipal Infrastructure Grant (MIG)										
Provincial Government:										
District Municipality:										
Other grant providers:										
Total capital expenditure of Transfers and Grants										
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS										

Table 45 KZN263 SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		4 291	243							
Current year receipts		89 495	86 185	98 005	99 344	96 150	106 119	128 640	131 260	131 779
Conditions met - transferred to revenue		93 786	86 185	93 594	99 344	96 150	106 119	128 640	131 260	131 779
Conditions still to be met - transferred to liabilities			243	4 411						
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts		1 597	7 718	3 125	7 101	13 953	13 953	3 295	3 470	3 645
Conditions met - transferred to revenue		1 597	7 718	3 125	7 101	13 953	13 953	3 295	3 470	3 645
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts		100	100	100	100	100	100	100	100	100
Conditions met - transferred to revenue		100	100	100	100	100	100	100	100	100
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		95 483	94 003	96 819	106 545	110 203	120 172	132 035	134 830	135 524
Total operating transfers and grants - CTBM	2	-	243	4 411	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		3 855	8 336	7 125						
Current year receipts		20 975	21 589	38 982	34 158	34 158	34 158	35 566	36 885	38 861
Conditions met - transferred to revenue		16 494	22 800	46 107	34 158	34 158	34 158	35 566	36 885	38 861
Conditions still to be met - transferred to liabilities		8 336	7 125							
Provincial Government:										
Balance unspent at beginning of the year			5 868	5 786						
Current year receipts		6 000								
Conditions met - transferred to revenue		6 000	5 868	5 786	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		22 494	28 668	51 893	34 158	34 158	34 158	35 566	36 885	38 861
Total capital transfers and grants - CTBM	2	8 336	7 125	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		117 977	122 671	148 712	140 703	144 361	154 330	167 601	171 715	174 385
TOTAL TRANSFERS AND GRANTS - CTBM		8 336	7 368	4 411	-	-	-	-	-	-

1.14 Councillor and employee benefits

Table 46 KZN263 SA22 - Summary of Councillor and Staff Benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
-	1	A	B	C	D	E	F	G	H	I
<u>Councillors (Political Office Bearers plus Other)</u>										
Basic Salaries and Wages		11 264	12 093	13 981	15 495	15 380	12 551	16 590	17 502	18 430
Pension and UIF Contributions										
Medical Aid Contributions										
Motor Vehicle Allowance										
Cell phone Allowance										
Housing Allowances										
Other benefits and allowances										
Sub Total - Councillors		11 264	12 093	13 981	15 495	15 380	12 551	16 590	17 502	18 430
% increase	4		7.4%	15.6%	10.8%	(0.7%)	(18.4%)	32.2%	5.5%	5.3%
<u>Senior Managers of the Municipality</u>	2									
Basic Salaries and Wages		3 286	3 949	5 715	5 376	5 590	4 071	6 384	6 735	7 099
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		(1 293)	-	-	576	-	-	905	955	1 006
Motor Vehicle Allowance	3	772	326	-	-	-	-	-	-	-
Cell phone Allowance	3	109	88	95	120	10	8	-	-	-
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	109	88	95	120	10	8	-	-	-
Sub Total - Senior Managers of Municipality		2 983	4 451	5 905	6 192	5 610	4 087	7 289	7 690	8 105
% increase	4		49.2%	32.7%	4.9%	(9.4%)	(27.1%)	78.3%	5.5%	5.4%
<u>Other Municipal Staff</u>										
Basic Salaries and Wages		49 142	56 963	56 499	63 946	61 650	52 844	66 967	70 650	74 484
Pension and UIF Contributions		9 822	12 162	12 464	15 886	14 368	11 573	16 373	17 274	18 210
Medical Aid Contributions		3 357	4 080	4 589	6 234	5 489	4 376	6 619	6 996	7 361
Overtime		9 825	10 403	8 996	5 994	11 455	10 614	9 763	10 300	10 862
Performance Bonus		3 759	4 315	4 590	5 431	5 154	6 320	5 822	6 142	6 476

Summary of Employee and Councillor remuneration R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Motor Vehicle Allowance	3	5 542	6 278	5 365	6 747	6 476	4 994	7 623	8 042	8 477
Cell phone Allowance	3	485	581	444	585	538	406	643	678	715
Housing Allowances	3	434	346	258	323	298	213	369	389	410
Other benefits and allowances	3	1 705	1 944	2 270	2 431	2 490	1 762	2 825	2 980	3 144
Payments in lieu of leave		–	–	–	–	–	–	–	–	–
Long service awards		1 400	3 743	2 298	2 752	2 752	1 835	2 848	3 005	3 166
Post-retirement benefit obligations	6	26	28	29	34	34	27	36	38	40
Sub Total - Other Municipal Staff		85 495	100 843	97 801	110 362	110 704	94 963	119 887	126 494	133 345
% increase	4		18.0%	(3.0%)	12.8%	0.3%	(14.2%)	26.2%	5.5%	5.4%
Total Parent Municipality		99 742	117 387	117 687	132 049	131 694	111 602	143 765	151 686	159 880
			17.7%	0.3%	12.2%	(0.3%)	(15.3%)	28.8%	5.5%	5.4%
Board Members of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cell phone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Board Fees										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Board Members of Entities		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–
Senior Managers of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cell phone Allowance	3									
Housing Allowances	3									

Summary of Employee and Councillor remuneration R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Other Staff of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cell phone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		99 742	117 387	117 687	132 049	131 694	111 602	143 765	151 686	159 880
% increase	4		17.7%	0.3%	12.2%	(0.3%)	(15.3%)	28.8%	5.5%	5.4%
TOTAL MANAGERS AND STAFF	5,7	88 478	105 294	103 706	116 554	116 314	99 050	127 176	134 184	141 450

Table 47 KZN263 SA23 – Disclosure - Salaries, allowances and benefits (Political Office Bearers / Councillors / Senior Managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Rand per annum								
<u>Councillors</u>	3							
Speaker	4		743 200					743 200
Chief Whip								–
Executive Mayor			849 650					849 650
Deputy Executive Mayor			743 200					743 200
Executive Committee			5 093 940					5 093 940
Total for all other councillors			9 160 000					9 160 000
Total Councillors	8	–	16 589 990	–	–			16 589 990
<u>Senior Managers of the Municipality</u>	5							
Municipal Manager (MM)			1 121 070			155 000		1 276 070
Chief Finance Officer			1 052 580			150 000		1 202 580
Director Technical Services			1 052 580			150 000		1 202 580
Director Corporate Services			1 052 580			150 000		1 202 580
Director Community Services			1 052 580			150 000		1 202 580
Director Development Planning			1 052 580			150 000		1 202 580
<i>List of each official with packages >= senior manager</i>								
Total Senior Managers of the Municipality	8,10	–	6 383 970	–	–	905 000		7 288 970
<u>A Heading for Each Entity</u>	6,7							
List each member of board by designation								
Total for municipal entities	8,10	–	–	–	–	–		–
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	–	22 973 960	–	–	905 000		23 878 960

Table 48 KZN263 SA24 – Summary of personnel numbers

Summary of Personnel Numbers	Ref	2012/13			Current Year 2013/14			Budget Year 2014/15		
Number	1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)										
Board Members of municipal entities	4	44	44		44	44		44	44	
Municipal employees	5									
Municipal Manager and Senior Managers	3	6	–	6	6	6	–	6	6	–
Other Managers	7	19	18		20	20	–	20	20	–
Professionals		207	207	–	82	82	–	82	82	–
<i>Finance</i>		66	66	–	66	66	–	66	66	–
<i>Spatial/town planning</i>		8	8	–	8	8	–	8	8	–
<i>Information Technology</i>		4	4	–	4	4	–	4	4	–
<i>Roads</i>		4	4	–	4	4	–	4	4	–
<i>Electricity</i>		–	–	–	–	–	–	–	–	–
<i>Water</i>		–	–	–	–	–	–	–	–	–
<i>Sanitation</i>		–	–	–	–	–	–	–	–	–
<i>Refuse</i>		–	–	–	–	–	–	–	–	–
<i>Other</i>		125	125	–	–	–	–	–	–	–
Technicians		142	142	–	151	151	–	151	151	–
<i>Finance</i>		–	–	–	–	–	–	–	–	–
<i>Spatial/town planning</i>		–	–	–	–	–	–	–	–	–
<i>Information Technology</i>		–	–	–	–	–	–	–	–	–
<i>Roads</i>		21	21	–	29	29	–	29	29	–
<i>Electricity</i>		40	40	–	40	40	–	40	40	–
<i>Water</i>		40	40	–	40	40	–	40	40	–
<i>Sanitation</i>		40	40	–	40	40	–	40	40	–
<i>Refuse</i>		1	1	–	2	2	–	2	2	–
<i>Other</i>		–	–	–	–	–	–	–	–	–
Clerks (Clerical and administrative)										
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators		21	21	–	21	21	–	21	21	–
Elementary Occupations		251	251	–	295	295	–	295	295	–
TOTAL PERSONNEL NUMBERS	9	690	683	6	619	619	–	619	619	–

Summary of Personnel Numbers		2012/13			Current Year 2013/14			Budget Year 2014/15		
Number	Ref	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
% increase					(10.3%)	(9.4%)	(100.0%)	–	–	–
Total municipal employees headcount	6, 10	483	476	7						
Finance personnel headcount	8, 10									
Human Resources personnel headcount	8, 10									

1.15 Monthly targets for revenue, expenditure and cash flow

Table 49 KZN263 SA25 - Budgeted monthly Revenue and Expenditure

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source	-															
Property rates		5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 063	60 210	63 522	66 888
Property rates - penalties & collection charges		124	124	124	124	124	124	124	124	124	124	124	124	1 484	1 566	1 649
Service charges - electricity revenue		14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	172 517	189 769	208 746
Service charges - water revenue		4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	50 290	55 318	60 850
Service charges - sanitation revenue		2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	24 685	27 153	29 869
Service charges - refuse revenue		1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	18 238	20 062	22 068
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		116	116	116	116	116	116	116	116	116	116	116	116	1 387	1 463	1 542
Interest earned - external investments		284	284	284	284	284	284	284	284	284	284	284	284	3 406	3 593	3 783
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		251	251	251	251	251	251	251	251	251	251	251	251	3 006	3 172	3 340
Licences and permits		361	361	361	361	361	361	361	361	361	361	361	361	4 338	4 576	4 823
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	114 030	115 832	115 534
Other revenue		385	385	385	385	385	385	385	385	385	385	385	53 956	58 188	60 785	63 981
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		38 180	38 180	38 180	38 180	38 180	38 180	38 180	38 180	38 180	38 180	38 180	91 801	511 779	546 812	583 073
Expenditure By Type	-															
Employee related costs		10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	127 176	134 184	141 450
Remuneration of councillors		1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	16 590	17 502	18 430
Debt impairment		142	142	142	142	142	142	142	142	142	142	142	142	1 698	1 792	1 886
Depreciation & asset impairment		1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	21 994	23 203	24 477
Finance charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases		12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 913	154 680	163 188	172 163
Other materials		2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	25 621	32 305	34 078
Contracted services		2 948	2 948	2 948	2 948	2 948	2 948	2 948	2 948	2 948	2 948	2 948	60 552	92 976	98 222	103 535
Transfers and grants		1 279	1 279	1 279	1 279	1 279	1 279	1 279	1 279	1 279	1 279	1 279	29	14 096	14 872	15 689
Other expenditure		7 582	7 582	7 582	7 582	7 582	7 582	7 582	7 582	7 582	7 582	7 582	(48 548)	34 850	38 372	40 524

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		40 786	40 786	40 786	40 786	40 786	40 786	40 786	40 786	40 786	40 786	40 786	41 035	489 681	523 639	552 231
Surplus/(Deficit)		(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	50 765	22 098	23 173	30 842
Transfers recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	50 765	22 098	23 173	30 842
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	(2 606)	50 765	22 098	23 173	30 842

Table 50 KZN263 SA26 - Budgeted monthly Revenue and Expenditure (Municipal Vote)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote																
Vote 1 - Municipal Governance & Administration		750	750	750	750	750	750	750	750	750	750	750	750	8 998	9 493	10 064
Vote 2 - Budget & Treasury		13 975	13 975	13 975	13 975	13 975	13 975	13 975	13 975	13 975	13 975	13 975	15 925	169 646	174 513	177 259
Vote 3 - Corporate Services		25	25	25	25	25	25	25	25	25	25	25	25	303	319	337
Vote 4 - Community & Public Safety		791	791	791	791	791	791	791	791	791	791	791	796	9 496	10 016	10 533
Vote 5 - Economic & Environmental Services		328	328	328	328	328	328	328	328	328	328	328	35 894	39 506	41 042	43 247
Vote 6 - Trading Services		22 144	22 144	22 144	22 144	22 144	22 144	22 144	22 144	22 144	22 144	22 144	40 144	283 730	311 303	341 533
Vote 7 - Other		8	8	8	8	8	8	8	8	8	8	8	8	100	100	100
Total Revenue by Vote		38 021	38 021	38 021	38 021	38 021	38 021	38 021	38 021	38 021	38 021	38 021	93 543	511 779	546 786	583 073
Expenditure by Vote to be appropriated																
Vote 1 - Municipal Governance & Administration		4 150	4 150	4 150	4 150	4 150	4 150	4 150	4 150	4 150	4 150	4 150	4 150	49 796	52 537	55 327
Vote 2 - Budget & Treasury		2 137	2 137	2 137	2 137	2 137	2 137	2 137	2 137	2 137	2 137	2 137	4 087	27 588	29 043	30 571
Vote 3 - Corporate Services		1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	21 965	23 173	24 439
Vote 4 - Community & Public Safety		3 967	3 967	3 967	3 967	3 967	3 967	3 967	3 967	3 967	3 967	3 967	8 095	51 729	54 891	57 804
Vote 5 - Economic & Environmental Services		4 486	4 486	4 486	4 486	4 486	4 486	4 486	4 486	4 486	4 486	4 486	40 052	89 396	98 951	104 341
Vote 6 - Trading Services		23 670	23 670	23 670	23 670	23 670	23 670	23 670	23 670	23 670	23 670	23 670	41 670	302 042	318 664	336 148
Vote 7 - Other		48	48	48	48	48	48	48	48	48	48	48	48	581	613	646
Total Expenditure by Vote		40 288	40 288	40 288	40 288	40 288	40 288	40 288	40 288	40 288	40 288	40 288	99 932	543 097	577 872	609 274
Surplus/(Deficit) before assoc.		(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(6 389)	(31 318)	(31 086)	(26 201)
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(2 266)	(6 389)	(31 318)	(31 086)	(26 201)

Table 51 KZN263 SA27 - Budgeted monthly Revenue and Expenditure (Standard Classification)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard	-															
Governance and administration		14 666	14 666	14 666	14 666	14 666	14 666	14 666	14 666	14 666	14 666	14 666	17 616	178 947	184 325	187 660
Executive and council		750	750	750	750	750	750	750	750	750	750	750	750	8 998	9 493	10 064
Budget and treasury office		13 891	13 891	13 891	13 891	13 891	13 891	13 891	13 891	13 891	13 891	13 891	16 841	169 646	174 513	177 259
Corporate services		25	25	25	25	25	25	25	25	25	25	25	25	303	319	337
Community and public safety		791	791	791	791	791	791	791	791	791	791	791	796	9 496	10 016	10 533
Community and social services		314	314	314	314	314	314	314	314	314	314	314	319	3 774	3 979	4 177
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		477	477	477	477	477	477	477	477	477	477	477	477	5 722	6 037	6 356
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services		328	328		328	328	328	328	328	328	328	328	35 894	39 506	41 042	43 247
Planning and development		15	15	15	15	15	15	15	15	15	15	15	15	176	186	196
Road transport		314	314	314	314	314	314	314	314	314	314	314	35 880	39 330	40 856	43 050
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading services		22 144	22 144	22 144	22 144	22 144	22 144	22 144	22 144	22 144	22 144	22 144	40 144	283 730	311 303	341 533
Electricity		14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	32 376	190 517	208 769	228 746
Water		4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	50 290	55 318	60 850
Waste water management		2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	24 685	27 153	29 869
Waste management		1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	18 238	20 062	22 068
Other		8	8	8	8	8	8	8	8	8	8	8	8	100	100	100
Total Revenue - Standard		37 938	37 938	37 938	37 938	37 938	37 938	37 938	37 938	37 938	37 938	37 938	94 459	511 779	546 786	583 073
			53 393	53 393	53 393	53 393	53 393	53 393	53 393	53 393	53 393	53 393				
Expenditure - Standard	-															
Governance and administration		8 025	8 025	8 025	8 025	8 025	8 025	8 025	8 025	8 025	8 025	8 025	11 075	99 349	104 753	110 336
Executive and council		4 150		4 150	4 150	4 150	4 150	4 150	4 150	4 150	4 150	4 150	4 150	49 796	52 537	55 327
Budget and treasury office		2 045	2 045	2 045	2 045	2 045	2 045	2 045	2 045	2 045	2 045	2 045	5 095	27 588	29 043	30 571
Corporate services		1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	1 830	21 965	23 173	24 439
Community and public safety		4 307	4 307	4 307	4 307	4 307	4 307	4 307	4 307	4 307	4 307	4 307	4 357	51 729	54 891	57 804
Community and social services		1 509	1 509	1 509	1 509	1 509	1 509	1 509	1 509	1 509	1 509	1 509	5 587	22 187	23 408	24 648
Sport and recreation		340	340	340	340	340	340	340	340	340	340	340	(3 738)	-	-	-
Public safety		2 302	2 302	2 302	2 302	2 302	2 302	2 302	2 302	2 302	2 302	2 302	2 352	27 676	514	31 079
Housing		155	155	155	155	155	155	155	155	155	155	155	155	1 865	1 968	2 076
Health		0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Economic and environmental services		4 148	4 148	4 148	4 148	4 148	4 148	4 148	4 148	4 148	4 148	4 148	43 764	89 396	98 951	104 341

Description R thousand	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Planning and development		588	588	588	588	588	588	588	588	588	588	588	638	7 100	7 491	7 903
Road transport		3 561	3 561	3 561	3 561	3 561	3 561	3 561	3 561	3 561	3 561	3 561	43 127	82 296	91 460	96 438
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services		23 670	23 670	23 670	23 670	23 670	23 670	23 670	23 670	23 670	23 670	23 670	41 670	302 042	318 664	336 148
Electricity		16 159	16 159	16 159	16 159	16 159	16 159	16 159	16 159	16 159	16 159	16 159	34 159	211 910	223 575	235 827
Water		2 754	2 754	2 754	2 754	2 754	2 754	2 754	2 754	2 754	2 754	2 754	2 754	33 050	34 868	36 787
Waste water management		2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	2 815	33 781	35 639	37 599
Waste management		1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	23 301	24 583	25 935
Other		44	44	44	44	44	44	44	44	44	44	44	94	581	613	646
Total Expenditure - Standard		40 194	40 194	40 194	40 194	40 194	40 194	40 194	40 194	40 194	40 194	40 194	100 960	543 097	577 872	609 274
Surplus/(Deficit) before assoc.		(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(6 501)	(31 318)	(31 086)	(26 201)
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(2 256)	(6 501)	)	(31 086)	(26 201)

Table 52 KZN263 SA28 - Budgeted monthly Capital Expenditure (Municipal Vote)

Description R thousand	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Multi-year expenditure to be appropriated	1															
Vote 1 - Municipal Governance & Administration													-	-	-	-
Vote 2 - Budget & Treasury													-	-	-	-
Vote 3 - Corporate Services													-	-	-	-
Vote 4 - Community & Public Safety													-	-	-	-
Vote 5 - Economic & Environmental Services		2 964	2 964	2 964	2 964	2 964	2 964	2 964	2 964	2 964	2 964	2 964	2 964	35 566	36 885	38 861
Vote 6 - Trading Services		1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	18 000	19 000	20 000
Vote 7 - Other													-	-	-	-
Capital multi-year expenditure sub-total	2	4 464	4 464	4 464	4 464	4 464	4 464	4 464	4 464	4 464	4 464	4 464	4 464	53 566	55 885	58 861
Single-year expenditure to be appropriated																
Vote 1 - Municipal Governance & Administration													-	-	-	-
Vote 2 - Budget & Treasury			100	50	50	50	50	50	100	50	50		50	600	633	667
Vote 3 - Corporate Services		50	75	100	50	75	50	75	50	75	50	50	70	770	812	857
Vote 4 - Community & Public Safety			50	50	1 000	100		50	40	100	100	100	100	1 690	1 783	1 877
Vote 5 - Economic & Environmental Services		50		10	10	20	20	50	50		100		50	360	380	401
Vote 6 - Trading Services		70	500	1 000	500	505	500	500	1 000	1 000	750	750	1 000	8 075	8 519	8 988
Vote 7 - Other													-	-	-	-
Capital single-year expenditure sub-total	2	170	725	1 210	1 610	750	620	725	1 240	1 225	1 050	900	1 270	11 495	12 127	12 789
Total Capital Expenditure	2	4 634	5 189	5 674	6 074	5 214	5 084	5 189	5 704	5 689	5 514	5 364	5 734	65 061	68 012	71 650

Table 53 KZN263 SA29 - Budgeted monthly Capital Expenditure (Standard Classification)

Description R thousand	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Expenditure - Standard	1															
Governance and administration		50	175	150	100	125	100	125	150	125	100	50	120	1 370	1 445	1 524
Executive and council													-	-	-	-
Budget and treasury office			100	50	50	50	50	50	100	50	50		50	600	633	667
Corporate services		50	75	100	50	75	50	75	50	75	50	50	70	770	812	857
Community and public safety		-	50	50	970	100	-	50	40	100	100	100	130	1 690	1 783	1 877
Community and social services			50	50	500	100		50	40	100	100	100	130	1 220	1 288	1 355
Sport and recreation					20								-	20	21	22
Public safety					450								-	450	475	500
Housing													-	-	-	-
Health													-	-	-	-
Economic and environmental services		3 014	2 964	2 974	2 974	2 974	2 984	3 014	3 014	2 964	3 064	2 964	3 024	35 926	37 265	39 262
Planning and development					10	10	20						-	40	42	45
Road transport		3 014	2 964	2 974	2 964	2 964	2 964	3 014	3 014	2 964	3 064	2 964	3 024	35 886	37 223	39 217
Environmental protection													-	-	-	-
Trading services		1 570	2 000	2 500	2 000	2 005	2 000	1 500	2 500	2 500	2 500	2 750	2 250	26 075	27 519	28 988
Electricity		1 500	1 500	2 500	1 500	1 500	1 500	1 500	2 500	2 500	2 250	2 250	1 180	22 180	23 410	24 652
Water			500		500		500						525	2 025	2 136	2 254
Waste water management						505						500	545	1 550	1 635	1 725
Waste management		70								250			-	320	338	356
Other													-	-	-	-
Total Capital Expenditure - Standard	2	4 634	5 189	5 674	6 044	5 204	5 084	4 689	5 704	5 689	5 764	5 864	5 524	65 061	68 012	71 650
Funded by:																
National Government													53 566	53 566	55 885	58 861
Provincial Government													-	-	-	-
District Municipality													-	-	-	-
Other transfers and grants													-	-	-	-
Transfers recognised - capital		-	-	-	-	-	-	-	-	-	-	-	53 566	53 566	55 885	58 861

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Public contributions & donations													-	-	-	-
Borrowing													-	-	-	-
Internally generated funds													11 495	11 495	12 127	12 789
Total Capital Funding		-	-	-	-	-	-	-	-	-	-	-	65 061	65 061	68 012	71 650

Table 54 KZN263 SA30 - Budgeted Monthly Cash Flow

MONTHLY CASH FLOWS	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash Receipts By Source													1		
Property rates	5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 013	5 013	60 160	63 469	66 833
Property rates - penalties & collection charges	124	124	124	124	124	124	124	124	124	124	124	124	1 484	1 566	1 649
Service charges - electricity revenue	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	14 376	172 517	189 769	208 746
Service charges - water revenue	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	4 191	50 290	55 318	60 850
Service charges - sanitation revenue	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	2 057	24 685	27 153	29 869
Service charges - refuse revenue	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	1 520	18 238	20 062	22 068
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	116	116	116	116	116	116	116	116	116	116	116	116	1 387	1 463	1 542
Interest earned - external investments	284	284	284	284	284	284	284	284	284	284	284	284	3 406	3 593	3 783
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	251	251	251	251	251	251	251	251	251	251	251	251	3 006	3 172	3 340
Licences and permits	361	361	361	361	361	361	361	361	361	361	361	361	4 338	4 576	4 823
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	9 502	114 030	115 832	115 534
Other revenue	385	385	385	385	385	385	385	385	385	385	385	385	4 617	4 871	5 130
Cash Receipts by Source	38 180	38 180	38 180	38 180	38 180	38 180	38 180	38 180	38 180	38 180	38 180	38 180	458 158	490 845	524 166
Other Cash Flows by Source															
Transfer receipts - capital	17 833	-	-	-	17 833	-	-	-	17 833	-	-	0	53 500	55 800	58 800
Contributions recognised - capital & Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	56 013	38 180	38 180	38 180	56 013	38 180	38 180	38 180	56 013	38 180	180	38 180	511 658	546 645	582 966
Cash Payments by Type															

MONTHLY CASH FLOWS	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Employee related costs	10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	10 598	127 176	134 184	141 450
Remuneration of councillors	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	16 590	17 502	18 430
Finance charges	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bulk purchases - Electricity	12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 888	12 888	154 655	163 161	172 135
Bulk purchases - Water & Sewer	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other materials	2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	2 135	25 621	27 030	28 513
Contracted services	2 948	2 948	2 948	2 948	2 948	2 948	2 948	2 948	2 948	2 948	2 948	2 948	35 372	37 317	39 329
Transfers and grants - other municipalities	1 279	1 279	1 279	1 279	1 279	1 279	1 279	1 279	1 279	1 279	1 279	1 279	15 346	16 191	17 078
Transfers and grants - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure	385	385	385	385	385	385	385	385	385	385	385	385	4 617	4 871	5 130
Cash Payments by Type	31 615	31 615	31 615	31 615	31 615	31 615	31 615	31 615	31 615	31 615	31 615	31 615	379 376	400 256	422 064
Other Cash Flows/Payments by Type															
Capital assets	4 458	4 458	4 458	4 458	4 458	4 458	4 458	4 458	4 458	4 458	4 458	4 458	53 500	55 800	58 800
Repayment of borrowing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Cash Flows/Payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Payments by Type	36 073	36 073	36 073	36 073	36 073	36 073	36 073	36 073	36 073	36 073	36 073	36 073	432 876	456 056	480 864
NET INCREASE/(DECREASE) IN CASH HELD	19 940	2 107	2 107	2 107	19 940	2 107	2 107	2 107	19 940	2 107	2 107	2 107	78 781	90 589	102 102
Cash/cash equivalents at the month/year begin:	120	20 060	22 167	24 274	26 380	46 320	48 427	50 534	52 641	72 581	74 688	76 794	120	78 901	169 490
Cash/cash equivalents at the month/year end:	20 060	22 167	24 274	26 380	46 320	48 427	50 534	52 641	72 581	74 688	76 794	78 901	78 901	169 490	271 592

1.16 Annual budgets and SDBIPs – internal departments

1.16.1 Water Services Department

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

Table 55 SA2 - Water Services Department - Operating Revenue by source, Expenditure by type and total Capital Expenditure

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 - Other	Total
R thousand	1								
Revenue By Source									
Property rates		–	60 210	–	–	–	–	–	60 210
Property rates - penalties & collection charges		–	1 484	–	–	–	–	–	1 484
Service charges - electricity revenue		–	–	–	–	–	172 517	–	172 517
Service charges - water revenue		–	–	–	–	–	50 290	–	50 290
Service charges - sanitation revenue		–	–	–	–	–	24 685	–	24 685
Service charges - refuse revenue		–	–	–	–	–	18 238	–	18 238
Service charges - other		–	–	–	–	–	–	–	–
Rental of facilities and equipment		–	879	135	195	178	–	–	1 387
Interest earned - external investments		–	3 406	–	–	–	–	–	3 406
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–
Fines		–	–	–	3 006	–	–	–	3 006
Licences and permits		–	–	–	2 222	2 116	–	–	4 338
Agency services		–	–	–	–	–	–	–	–
Other revenue		–	3 442	168	778	229	–	–	4 617
Transfers recognised - operational		8 998	100 225	–	3 290	1 407	–	100	114 020
Gains on disposal of PPE		–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		8 998	169 646	303	9 490	3 930	265 730	100	458 197
Expenditure By Type									
Employee related costs		6 135	16 107	10 956	22 701	19 088	48 985	357	124 328
Remuneration of councillors		16 590	–	–	–	–	–	–	16 590
Debt impairment		–	–	–	–	–	–	–	–
Depreciation & asset impairment		22	245	1 736	877	6 273	12 680	–	21 834
Finance charges		–	–	–	–	–	–	–	–
Bulk purchases		–	–	–	–	–	154 655	–	154 655
Other materials		–	20	1 605	1 850	9 085	13 059	2	25 621
Contracted services		–	1 400	980	18 897	25	12 070	–	33 372
Transfers and grants		–	–	–	–	–	31 941	–	31 941
Other expenditure		27 048	9 816	6 689	7 404	19 359	10 651	223	81 190
Loss on disposal of PPE		–	–	–	–	–	–	–	–
Total Expenditure		49 795	27 588	21 965	51 729	53 830	284 042	581	489 530
Surplus/(Deficit)		(40 796)	142 058	(21 663)	(42 239)	(49 900)	(18 312)	(481)	(31 333)
Transfers recognised - capital									–
Contributions recognised - capital									–

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 - Other	Total
R thousand	1								
Contributed assets									-
Surplus/(Deficit) after capital transfers & contributions		(40 796)	142 058	(21 663)	(42 239)	(49 900)	(18 312)	(481)	(31 333)

Table 56 Water Services Department – Performance objectives and indicators

None

There are currently unfilled positions in the structure of the Water Services Section. The top management structure consists of the Acting Director Technical Services (currently vacant) and Manager Water. As part of the performance objectives for the 2015/16 financial year, the expansion of the functional water demand management unit will require an amendment to the departmental organigram and the subsequent filling of vacancies.

Significant capital projects to be undertaken over the medium term includes, amongst others:

- Replacement and upgrading of deficient reticulation infrastructure; and
- Purification plant upgrades.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R3,4 million, R3,6 million and R3, 8 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water of which budget appropriation for the 2015/16 financial year is R50,2 million and increases to R60,8 million by 2017/18 and has been informed by a collection rate of 92 % and distribution losses of 50 %, as well as ensuring that all areas currently not metered have water meters installed this will increase the collection rate, reduce the losses and allow for more funds to be allocated to repairing the infrastructure.

The reduction of distribution losses is considered a priority and hence the departmental objectives and targets provide for a 1 % efficiency gain per annum. In relation to this target, past performance has been irregular with a total distribution loss of 54.79 % in 2013/14; increasing to 59.26% in the 2014/15 budget year but in the Adjustment budget estimated to be 49,56% and budgeted for 2015/16 at 50 % for the year.

1.17 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

1.18 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 57 KZN263 SA 34a - Capital Expenditure on new Assets by Asset Class

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		16 993	31 861	40 993	54 141	52 022	49 366	61 641	64 404	67 849
Infrastructure - Road transport		16 501	22 834	30 038	34 158	34 158	34 158	35 566	36 885	38 861
Roads, Pavements & Bridges		16 501	22 834	30 038	34 158	34 158	34 158	35 566	36 885	38 861
Storm water		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		492	9 027	10 919	13 540	13 540	12 828	22 180	23 410	24 652
Generation		-	-	-	-	-	-	-	-	-
Transmission & Reticulation		-	9 027	10 919	13 540	13 540	12 828	22 180	23 410	24 652
Street Lighting		492	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	22	4 086	2 030	2 030	2 025	2 136	2 254
Dams & Reservoirs		-	-	-	-	-	-	-	-	-
Water purification		-	-	22	4 086	2 030	2 030	2 025	2 136	2 254
Reticulation		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	14	2 054	2 020	20	1 550	1 635	1 725
Reticulation		-	-	-	-	-	-	-	-	-
Sewerage purification		-	-	14	2 054	2 020	20	1 550	1 635	1 725
Infrastructure - Other		-	-	-	304	274	330	320	338	356
Waste Management		-	-	-	304	274	330	320	338	356
Transportation	2	-	-	-	-	-	-	-	-	-
Gas		-	-	-	-	-	-	-	-	-
Other	3	-	-	-	-	-	-	-	-	-
<u>Community</u>		283	122	151	1 140	1 170	1 150	1 670	1 762	1 855
Parks & gardens		-	-	54	-	-	-	-	-	-
Sports fields & stadia		-	-	-	-	-	-	-	-	-
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	108	67	20	20	-	50	53	56
Libraries		-	-	-	-	50	50	50	53	56
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		283	14	30	100	100	100	450	475	500

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
Security and policing	7	-	-	-	-	-	-	-	-	-
Buses		-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries	8	-	-	-	1 020	1 000	1 000	1 120	1 182	1 244
Social rental housing		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Heritage assets	9	-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Other assets	10	11	125	425	1 113	972	457	1 750	1 847	1 947
General vehicles		-	-	-	-	-	-	-	-	-
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		-	-	-	-	-	-	-	-	-
Computers - hardware/equipment		-	49	-	427	427	103	700	739	779
Furniture and other office equipment		11	76	425	686	545	354	1 050	1 108	1 168
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		-	-	-	-	-	-	-	-	-
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (<i>list sub-class</i>)										
Total Capital Expenditure on new assets	1	17 287	32 108	41 569	56 394	54 164	50 974	65 061	68 012	71 650

Table 58 KZN263 SA34b - Capital Expenditure on the Renewal of existing Assets by Asset Class

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
<u>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Roads, Pavements & Bridges										
Storm water										
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Generation										
Transmission & Reticulation										
Street Lighting										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Dams & Reservoirs										
Water purification										
Reticulation										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation										
Sewerage purification										
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Waste Management										
Transportation	2									
Gas										
Other	3									
<u>Community</u>		-	-	-	-	-	-	-	-	-
Parks & gardens										
Sports fields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
Security and policing	7									
Buses										
Clinics	8									
Museums & Art Galleries										
Cemeteries										
Social rental housing										
Other	9									
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings										
Other										
Investment properties	10	-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets		-	-	-	-	-	-	-	-	-
General vehicles	10									
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class										
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class										

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
<u>Intangibles</u>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (<i>list sub-class</i>)										
Total Capital Expenditure on renewal of existing assets	1	-	-	-	-	-	-	-	-	-

Table 59 KZN263 SA34c - Repairs and Maintenance Expenditure by Asset Class

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		14 279	15 151	12 629	25 205	24 815	15 148	22 074	23 288	24 569
Infrastructure - Road transport		5 094	5 379	4 793	11 820	13 515	4 854	9 015	9 511	10 034
<i>Roads, Pavements & Bridges</i>		5 094	5 379	4 793	11 820	13 515	4 854	9 015	9 511	10 034
<i>Storm water</i>		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		5 215	5 945	3 800	8 025	6 100	4 229	7 340	7 744	8 170
<i>Generation</i>										
<i>Transmission & Reticulation</i>		4 722	5 278	3 215	7 025	5 350	4 004	6 340	6 689	7 057
<i>Street Lighting</i>		493	667	585	1 000	750	225	1 000	1 055	1 113
Infrastructure - Water		3 300	2 390	3 019	2 930	3 335	4 326	3 404	3 591	3 789
<i>Dams & Reservoirs</i>										
<i>Water purification</i>		3 300	2 390	3 019	2 930	3 335	4 326	3 404	3 591	3 789
<i>Reticulation</i>										
Infrastructure - Sanitation		670	1 437	997	1 220	1 865	1 738	1 810	1 910	2 015
<i>Reticulation</i>										
<i>Sewerage purification</i>		670	1 437	997	1 220	1 865	1 738	1 810	1 910	2 015
Infrastructure - Other		–	–	21	1 210	–	–	505	533	562
<i>Waste Management</i>				21	1 210	–	–	505	533	562
<i>Transportation</i>										
<i>Gas</i>										
<i>Other</i>										
<u>Community</u>		1 163	441	838	1 691	1 622	1 038	1 850	1 952	2 055
Parks & gardens		42	42	63	100	115	55	300	317	333
Sports fields & stadia										
Swimming pools										
Community halls										
Libraries		135	30	190	150	200	12	100	106	111
Recreational facilities		28	110	166	500	500	263	500	528	555
Fire, safety & emergency		897	234	345	795	661	606	780	823	867

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
Security and policing	7									
Buses										
Clinics	8	1	4	30	96	96	96	120	127	133
Museums & Art Galleries		1	2	43	50	50	6	50	53	56
Cemeteries										
Social rental housing										
Other		59	19							
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings	9									
Other										
Investment properties		-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets		219	329	491	1 907	1 539	580	1 697	7 065	7 453
General vehicles	10									
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment										
Computers - hardware/equipment		114	191	78	300	300	229	100	106	111
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings		105	138	413	1 607	1 239	351	1 597	6 959	7 342
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class										
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class										

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (list sub-class)										
Total Repairs and Maintenance Expenditure	1	15 661	15 921	13 958	28 803	27 975	16 766	25 621	32 304	34 077

Table 60 KZN263 SA34d - Future Financial Implications of the Capital Budget (Depreciation by Asset Class)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
<u>Depreciation by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		67 878	123 432	72 800	17 869	17 869	17 869	18 917	19 958	21 055
Infrastructure - Road transport		34 068	66 680	36 500	5 885	5 885	5 885	6 238	6 581	6 943
<i>Roads, Pavements & Bridges</i>		34 068	66 680	36 500	5 885	5 885	5 885	6 238	6 581	6 943
<i>Storm water</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		8 798	21 421	12 993	4 272	4 272	4 272	4 520	4 768	5 031
<i>Generation</i>		-	-	-	-	-	-	-	-	-
<i>Transmission & Reticulation</i>		8 798	21 421	12 993	4 272	4 272	4 272	4 520	4 768	5 031
<i>Street Lighting</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Water		19 882	30 612	17 421	2 590	2 590	2 590	2 741	2 891	3 050
<i>Dams & Reservoirs</i>		-	-	-	-	-	-	-	-	-
<i>Water purification</i>		19 882	30 612	17 421	2 590	2 590	2 590	2 741	2 891	3 050
<i>Reticulation</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		5 099	4 719	5 887	5 122	5 122	5 122	5 419	5 717	6 032
<i>Reticulation</i>		5 099	4 719	5 887	5 122	5 122	5 122	5 419	5 717	6 032
<i>Sewerage purification</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Other		31	-	-	-	-	-	-	-	-
<i>Waste Management</i>		31	-	-	-	-	-	-	-	-
<i>Transportation</i>	2	-	-	-	-	-	-	-	-	-
<i>Gas</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>	3	-	-	-	-	-	-	-	-	-
<u>Community</u>		(305)	2 223	774	828	828	828	877	926	975
Parks & gardens		-	-	-	-	-	-	-	-	-
Sports fields & stadia		-	-	-	-	-	-	-	-	-
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		(368)	2 188	736	788	788	788	835	881	928
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		63	35	37	40	40	40	42	44	47

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
Security and policing	7	-	-	-	-	-	-	-	-	-
Buses		-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		-	-	-	-	-	-	-	-	-
Social rental housing	8	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings	9	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Other assets		2 211	(29 606)	15 081	2 073	2 073	2 073	2 199	2 320	2 447
General vehicles	10	-	-	-	-	-	-	-	-	-
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		-	-	-	-	-	-	-	-	-
Computers - hardware/equipment		416	649	216	231	231	231	245	259	272
Furniture and other office equipment		-	-	-	-	-	-	-	-	-
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		1 348	(30 434)	14 674	1 638	1 638	1 638	1 736	1 831	1 932
Other Buildings		-	-	-	-	-	-	-	-	-
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		447	179	191	204	204	204	218	230	242
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class										
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class										

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (<i>list sub-class</i>)										
Total Depreciation	1	69 785	96 050	88 655	20 770	20 770	20 770	21 994	23 203	24 477

Table 61 KZN263 SA35 - Future Financial Implications of the Capital Budget

Vote Description R thousand	Ref	2015/16 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Present value
Capital expenditure	1							
Vote 1 - Municipal Governance & Administration		–	–	–				
Vote 2 - Budget & Treasury		600	633	667				
Vote 3 - Corporate Services		770	812	857				
Vote 4 - Community & Public Safety		1 690	1 783	1 877				
Vote 5 - Economic & Environmental Services		35 926	37 265	39 262				
Vote 6 - Trading Services		26 075	27 519	28 988				
Vote 7 - Other		–	–	–				
Total Capital Expenditure		65 061	68 012	71 650	–	–	–	–
Future operational costs by vote	2							
Vote 1 - Municipal Governance & Administration								
Vote 2 - Budget & Treasury								
Vote 3 - Corporate Services								
Vote 4 - Community & Public Safety								
Vote 5 - Economic & Environmental Services								
Vote 6 - Trading Services								
Vote 7 - Other								
Vote 8 -								
Total future operational costs		–	–	–	–	–	–	–
Future revenue by source	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
List entity summary if applicable								
Total future revenue		–	–	–	–	–	–	–
Net Financial Implications		65 061	68 012	71 650	–	–	–	–

Table 62 KZN263 SA36 - Detailed Capital Budget per Municipal Vote

Municipal Vote/Capital project R thousand	Ref 4	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No) 6	Asset Class 3	Asset Sub- Class 3	GPS co- ordinates 5	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework			Project information	
										Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>																
Parent Capital expenditure	1											-	-	-		
Entities: <i>List all capital projects grouped by Entity</i>																
Entity A Water project A																
Entity B Electricity project B																
Entity Capital expenditure										-	-	-	-	-		
Total Capital expenditure										-	-	-	-	-		

Table 63 KZN263 SA37 - Projects delayed from previous financial year

Municipal Vote/Capital project	Ref. 1,2	Project name	Project number	Asset Class 3	Asset Sub-Class 3	GPS co-ordinates 4	Previous target year to complete	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
								Original Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand							Year					
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>				<i>Examples</i>	<i>Examples</i>							
Entities: <i>List all capital projects grouped by Municipal Entity</i>												
Entity Name <i>Project name</i>												

1.19 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the Municipality has successfully employed and trained interns through this programme and a majority of them were appointed either in the Municipality or other municipalities.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2015/16 MTREF in June 2015 directly aligned and informed by the 2015/16 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented for the Municipality's internal employees and training is on-going.

Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

1.20 Other supporting documents

Table 64 KZN263 Table SA1 - Supporting detail to Budgeted Financial Performance

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		35 095	41 574	49 844	55 650	55 750	48 265	36 199	60 210	63 522	66 888
<i>less Revenue Foregone</i>											
Net Property Rates		35 095	41 574	49 844	55 650	55 750	48 265	36 199	60 210	63 522	66 888
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		116 770	127 281	140 204	161 919	155 330	132 186	100 717	172 517	189 769	208 746
<i>less Revenue Foregone</i>											
Net Service charges - electricity revenue		116 770	127 281	140 204	161 919	155 330	132 186	100 717	172 517	189 769	208 746
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		23 241	30 842	36 128	39 759	47 587	36 044	27 039	50 290	55 318	60 850
<i>less Revenue Foregone</i>											
Net Service charges - water revenue		23 241	30 842	36 128	39 759	47 587	36 044	27 039	50 290	55 318	60 850
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		14 809	16 411	19 208	22 170	22 091	24 864	18 652	24 685	27 153	29 869
<i>less Revenue Foregone</i>											
Net Service charges - sanitation revenue		14 809	16 411	19 208	22 170	22 091	24 864	18 652	24 685	27 153	29 869
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		11 496	12 232	13 953	16 136	16 136	14 216	10 662	18 238	20 062	22 068
Total landfill revenue		–	–	–	–	–	–	–	–	–	–
<i>less Revenue Foregone</i>		–	–	–	–	–	–	–	–	–	–
Net Service charges - refuse revenue		11 496	12 232	13 953	16 136	16 136	14 216	10 662	18 238	20 062	22 068
<u>Other Revenue by source</u>											
<i>List other revenue by source</i>		–	–	–	–	–	–	–	–	–	–

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Burial fees		162	156	157	–	–	–	–	–	–	–
Encroachment fees		25	27	30	–	–	–	–	–	–	–
Photostat Copies		32	30	264	4 353	8 290	2 554	1 882	4 617	4 871	5 130
Special Consent		60	14	–	–	–	–	–	–	–	–
Gate fees		62	69	83	–	–	–	–	–	–	–
Building Plan fees		62	0	–	–	–	–	–	–	–	–
SETA		511	516	184							
Tender deposits		54	146	121							
Rates Clearances		48	22	–							
Monument Fees		35	22	30							
Other Income	3	213	799	42 303	100	34 159	34 159	34 159	53 571	55 914	58 851
Total 'Other' Revenue	1	1 264	1 801	43 172	4 453	42 449	36 713	36 041	58 188	60 785	63 981
EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2	52 428	57 009	62 215	69 322	67 240	56 915	42 686	73 351	77 385	81 583
Pension and UIF Contributions		9 822	12 162	12 464	15 886	14 368	11 573	8 679	16 373	17 274	18 210
Medical Aid Contributions		3 357	4 080	4 589	6 234	5 489	4 376	3 282	6 619	6 996	7 361
Overtime		9 825	10 403	8 996	5 994	11 455	10 614	7 960	9 763	10 300	10 862
Performance Bonus		2 466	4 315	4 590	6 008	5 154	6 320	4 740	6 727	7 097	7 482
Motor Vehicle Allowance		6 313	6 604	5 365	6 747	6 476	4 994	3 746	7 623	8 042	8 477
Cell phone Allowance		594	668	539	705	548	414	310	643	678	715
Housing Allowances		434	346	258	323	298	213	160	369	389	410
Other benefits and allowances		1 705	1 944	2 270	2 431	2 490	1 762	1 322	2 825	2 980	3 144
Payments in lieu of leave		1 400	3 743	2 298	2 752	2 752	1 835	1 376	2 848	3 005	3 166
Long service awards		26	28	29	34	34	27	21	36	38	40
Post-retirement benefit obligations	4	–	6 586	–	–	–	–	–	–	–	–
sub-total	5	88 369	107 888	103 611	116 434	116 304	99 042	74 282	127 176	134 184	141 450
Less: Employees costs capitalised to PPE											
Total Employee related costs	1	88 369	107 888	103 611	116 434	116 304	99 042	74 282	127 176	134 184	141 450
Contributions recognised - capital											
<i>List contributions by contract</i>											
MIG						–	–	–	–	–	–
INEG						–	–	–	–	–	–

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Total Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
<u>Depreciation & asset impairment</u>											
Depreciation of Property, Plant & Equipment		69 785	96 145	88 655	20 770	20 770	20 770	20 770	21 994	23 203	24 477
Lease amortisation		-	-	-	-	-	-	-	-	-	-
Capital asset impairment		-	-	-	-	-	-	-	-	-	-
Depreciation resulting from revaluation of PPE		-	96	-	-	-	-	-	-	-	-
Total Depreciation & asset impairment	10	69 785	96 050	88 655	20 770	20 770	20 770	20 770	21 994	23 203	24 477
<u>Bulk purchases</u>											
Electricity Bulk Purchases		101 328	112 200	122 108	144 157	134 057	104 977	79 494	154 680	163 188	172 163
Water Bulk Purchases		-	-	-	-	-	-	-	-	-	-
Total bulk purchases	1	101 328	112 200	122 108	144 157	134 057	104 977	79 494	154 680	163 188	172 163
<u>Transfers and grants</u>											
Cash transfers and grants		-	136	153	134	114	99	99	105	111	117
Non-cash transfers and grants		-	19 019	33 644	11 336	13 550	6 092	6 092	13 991	14 761	15 573
Total transfers and grants	1	-	19 155	33 798	11 470	13 664	6 191	6 191	14 096	14 872	15 689
<u>Contracted services</u>											
List services provided by contract		-	-	-	32 443	33 157	33 637	25 227	35 347	37 317	39 329
Internal Audit		-									
Meter Reading		2 067	2 132	2 686	2 463	2 400	1 938	1 938	2 000	2 110	2 226
Computer Services		1 323	1 743	1 586	700	650	577	577	720	760	801
Other Contracts Financial services		704	362	1 882	400	5 400	5 532	5 532	1 400	1 477	1 555
Parks		5 479	5 552	5 760	6 300	6 000	5 918	5 918	6 665	7 032	7 404
Security		6 024	10 049	10 657	10 000	11 500	11 500	11 500	12 000	12 660	13 331
Refuse Removal		5 962	5 755	9 052	8 000	10 000	9 475	9 475	10 500	11 078	11 687
Steiner		515	82	93	600	250	160	160	260	274	289
Digging of Graves		78	60	55	67	20	34	34	70	74	78
Electricity-Engineer		305	187	169	550	500	425	425	1 200	1 266	1 336
Water Purification		250	500	226	617	400	321	321	370	390	412
Public Safety											

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Contact Payments technical services		67									
Contact Payments community services		53									
Contact Payments planning		60									
Nureses working with traffic		–	37	3							
Mikros Traffic		–	60		980	925	490	490	1 000	1 055	1 113
Brandfin Trade cc		–	125	147							
Total client services		–	56	60							
Commission on vendor sales		–	3	–	800	1 030	884	884	1 089	1 149	1 212
Photocopiers & faxes					620	550	380	380	700	739	778
Lease of vehicles					14 753	16 215	13 765	13 765	19 655	20 842	21 983
Bonakude			–	46							
Other				6 218							
sub-total	1	22 886	26 703	38 641	79 294	88 996	85 037	76 628	92 976	98 222	103 535
Allocations to organs of state:											
Electricity		–	–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–	–
Sanitation		–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
Total contracted services		22 886	26 703	38 641	79 294	88 996	85 037	76 628	92 976	98 222	103 535
Other Expenditure By Type											
Collection costs		–	–	–	–	–	–	–	–	–	–
Contributions to 'other' provisions		7 911	2 705	3 202	3 430	3 430	2 401	1 801	–	–	–
Consultant fees		4 734	–	–	692	6 550	1 622	1 216	–	–	–
Audit fees		1 561	–	–	2 563	2 563	2 873	2 163	–	–	–
General expenses	3	–	–	–	74 362	118 686	68 732	42 370	–	–	–
List Other Expenditure by Type											
Chemicals		1 104	–	936	–	–	–	–	–	–	–
Auditors Remuneration		–	1 283	2 482	2 563	2 564	2 563	2 563	2 712	2 861	3 013
Ward Committee Members		1 346	2 158	2 584	2 600	2 680	2 606	2 606	2 835	2 291	3 150
Newsletter & Radio Slots		95	–	145	200	150	38	38	150	158	167
Advertisements & Notices		568	293	574	1 000	650	285	285	1 000	1 055	1 113
Allow & Contr Pensioners		1 143	1 312	1 376	745	1 650	1 725	1 725	1 746	1 842	1 939
Banking Charges & Services		1 025	1 135	1 221	1 300	1 300	1 285	1 285	1 550	1 635	1 722
Cleaning Materials		165	232	291	379	357	389	389	437	461	486

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Fuel & Lubricants		3 672	3 911	4 499	3 154	5 275	1 771	1 771	5 131	5 413	5 711
Electricity & Water Services		5 418	1 051	7 538	6 529	6 581	6 057	6 057	7 018	7 404	7 808
Sports & Comm Serv functions		949	1 165	1 200	1 000	1 200	1 702	1 702	1 200	1 266	1 333
Legal Fees		4 734	532	672	692	1 550	2 071	2 071	1 050	1 108	1 169
Telephone & fax		1 220	1 361	1 248	1 306	1 250	1 157	1 157	1 230	1 298	1 366
Postage		627	924	686	631	606	578	578	682	720	758
Printing & Stationery		761	792	1 019	1 165	1 068	895	895	1 207	1 273	1 342
Pension for Retrenched Employees		501	384	234	321	221	89	89	230	243	256
Skills Levy		837	937	981	1 028	1 078	1 067	1 067	1 141	1 204	1 268
Training		182	406	568	900	900	732	732	1 100	1 213	1 298
Valuation Roll Expenditure		265	–	89	200	140	170	170	200	211	222
Subsistence & Travelling		1 694	1 617	2 104	2 006	2 323	2 298	2 298	2 792	2 952	3 118
Other Expenses		25 416	5 709	4 106					1 440	3 765	3 287
Total 'Other' Expenditure	1	65 925	30 613	40 957	108 768	162 771	103 106	75 027	34 850	38 372	40 524
Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		15 661	15 921	13 958	28 803	27 975	16 766	16 766	25 621	32 305	34 078
Total Repairs and Maintenance Expenditure	9	15 661	15 921	13 958	28 803	27 975	16 766	16 766	25 621	32 305	34 078

Table 65 KZN263 Table SA2 – Matrix Financial Performance Budget (Revenue Source / Expenditure type and Department)

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 - Other	Total
R thousand	1								
Revenue By Source									
Property rates		–	60 210	–	–	–	–	–	60 210
Property rates - penalties & collection charges		–	1 484	–	–	–	–	–	1 484
Service charges - electricity revenue		–	–	–	–	–	172 517	–	172 517
Service charges - water revenue		–	–	–	–	–	50 290	–	50 290
Service charges - sanitation revenue		–	–	–	–	–	24 685	–	24 685
Service charges - refuse revenue		–	–	–	–	–	18 238	–	18 238
Service charges - other		–	–	–	–	–	–	–	–
Rental of facilities and equipment		–	879	135	195	178	–	–	1 387
Interest earned - external investments		–	3 406	–	–	–	–	–	3 406
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–
Fines		–	–	–	3 006	–	–	–	3 006
Licences and permits		–	–	–	2 222	2 116	–	–	4 338
Agency services		–	–	–	–	–	–	–	–
Other revenue		–	3 442	168	778	229	–	–	4 617
Transfers recognised - operational		8 998	100 225	–	3 290	1 407	–	100	114 020
Gains on disposal of PPE		–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		8 998	169 646	303	9 490	3 930	265 730	100	458 197
Expenditure By Type									
Employee related costs		6 135	16 107	10 956	22 701	19 088	48 985	357	124 328
Remuneration of councillors		16 590	–	–	–	–	–	–	16 590
Debt impairment		–	–	–	–	–	–	–	–
Depreciation & asset impairment		22	245	1 736	877	6 273	12 680	–	21 834
Finance charges		–	–	–	–	–	–	–	–
Bulk purchases		–	–	–	–	–	154 655	–	154 655
Other materials		–	20	1 605	1 850	9 085	13 059	2	25 621
Contracted services		–	1 400	980	18 897	25	12 070	–	33 372
Transfers and grants		–	–	–	–	–	31 941	–	31 941
Other expenditure		27 048	9 816	6 689	7 404	19 359	10 651	223	81 190
Loss on disposal of PPE		–	–	–	–	–	–	–	–
Total Expenditure		49 795	27 588	21 965	51 729	53 830	284 042	581	489 530

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 - Other	Total
R thousand	1								
Surplus/(Deficit)		(40 796)	142 058	(21 663)	(42 239)	(49 900)	(18 312)	(481)	(31 333)
Transfers recognised - capital									-
Contributions recognised - capital									-
Contributed assets									-
Surplus/(Deficit) after capital transfers & contributions		(40 796)	142 058	(21 663)	(42 239)	(49 900)	(18 312)	(481)	(31 333)

Table 66 KZN263 Table SA3 – Supporting detail to Statement of Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits < 90 days		–	–	–	–	–	–	–	–	–	–
Other current investments > 90 days		–	–	–	–	–	–	–	–	–	–
Total Call investment deposits	2	–	–	–	–	–	–	–	–	–	–
<u>Consumer debtors</u>											
Consumer debtors		36 897	71 472	98 279	45 000	51 197	51 197	86 464	90 000	90 000	90 000
<u>Less: Provision for debt impairment</u>		(21 694)	(29 044)	(31 237)	(29 000)	7 128	7 128	(31 648)	(30 000)	(30 000)	(30 000)
Total Consumer debtors	2	15 203	42 428	67 043	16 000	58 325	58 325	54 816	60 000	60 000	60 000
<u>Debt impairment provision</u>											
Balance at the beginning of the year											
Contributions to the provision		(21 694)	(29 044)	(31 237)	(29 000)	7 128	7 128	(31 648)	(30 000)	(30 000)	(30 000)
Bad debts written off											
Balance at end of year		(21 694)	(29 044)	(31 237)	(29 000)	7 128	7 128	(31 648)	(30 000)	(30 000)	(30 000)
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		2 721 063	2 135 298	3 396 121	3 000 000	3 396 121	3 396 121	3 400 983	3 500 000	3 500 000	3 500 000
Leases recognised as PPE		–	–	–	–	–	–	–	–	–	–
<u>Less: Accumulated depreciation</u>		1 699 638	96 079	1 368 978	2 000 000	1 368 978	1 368 978	1 382 798	1 400 000	1 400 000	1 400 000
Total Property, plant and equipment (PPE)	2	1 021 425	2 039 220	2 027 143	1 000 000	2 027 143	2 027 143	2 018 186	2 100 000	2 100 000	2 100 000
LIABILITIES											
<u>Current liabilities - Borrowing</u>											
Short term loans (other than bank overdraft)		1 856	5 951	4 786	–	7 981	7 981	7 981	7 981	7 981	7 981
Current portion of long-term liabilities		–	–	–	–	–	–	–	–	–	–
Total Current liabilities - Borrowing		1 856	5 951	4 786	–	7 981	7 981	7 981	7 981	7 981	7 981
<u>Trade and other payables</u>											
Trade and other creditors		29 646	33 991	36 785	20 000	35 423	35 423	26 628	37 000	37 000	37 000
Unspent conditional transfers		19 193	33 505	6 310	15 000	–	–	27 236	–	–	–
VAT		(268)	–	–	–	–	–	(2 919)	–	–	–

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Total Trade and other payables	2	48 571	67 496	43 095	35 000	35 423	35 423	50 945	37 000	37 000	37 000
<u>Non current liabilities - Borrowing</u>											
Borrowing	4	-	-	-	-	-	-	-			
Finance leases (including PPP asset element)		-	-	-	-	-	-	-			
Total Non current liabilities - Borrowing		-	-	-	-	-	-	-	-	-	-
<u>Provisions - non-current</u>											
Retirement benefits		40 587	47 173	36 565	50 000	36 565	36 565	38 681	39 000	39 000	39 000
List other major provision items											
Refuse landfill site rehabilitation		47 214	49 919	53 122	55 000	53 122	53 122	54 636	55 000	55 000	55 000
Other		-	10 392	4 577	-	7 128	7 128	4 992	5 000	5 000	5 000
Total Provisions - non-current		87 801	107 484	94 263	105 000	96 815	96 815	98 308	99 000	99 000	99 000
CHANGES IN NET ASSETS											
<u>Accumulated Surplus/(Deficit)</u>											
Accumulated Surplus/(Deficit) - opening balance		1 057 390	2 086 247	1 996 370	2 127 019	2 031 627	2 031 627	2 017 132	2 018 000	2 018 000	2 018 000
GRAP adjustments											
Restated balance		1 057 390	2 086 247	1 996 370	2 127 019	2 031 627	2 031 627	2 017 132	2 018 000	2 018 000	2 018 000
Surplus/(Deficit)		(56 453)	(89 876)	22 197	(105 533)	(104 740)	(36 542)	(36 194)	22 098	23 173	30 842
Appropriations to Reserves		(2 771)	-	-	-	-	-	-			
Transfers from Reserves		-	-	-	-	-	-	-			
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	998 166	1 996 371	2 018 567	2 021 486	1 926 887	1 995 085	1 980 938	2 040 098	2 041 173	2 048 842
<u>Reserves</u>											
Housing Development Fund	-	-	-	-	-	-	-	-			
Capital replacement		-	-	-	-	-	-	-			
Self-insurance		-	-	-	-	-	-	-			
Other reserves		-	-	-	-	-	-	-			
Revaluation		-	-	-	-	-	-	-			
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	998 166	1 996 371	2 018 567	2 021 486	1 926 887	1 995 085	1 980 938	2 040 098	2 041 173	2 048 842

Table 67 KZN263 Table SA9 – Social, Economic and Demographic Statistics and Assumptions

Description of economic indicator	Ref.	Basis of calculation	2001 Census	2007 Survey	2011 Census	2011/12	2012/13	2013/14	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics												
Population												
Females aged 5 - 14												
Males aged 5 - 14												
Females aged 15 - 34												
Males aged 15 - 34												
Unemployment												
Monthly household income (no. of households)	1, 12	-										
No income												
R1 - R1 600												
R1 601 - R3 200												
R3 201 - R6 400												
R6 401 - R12 800												
R12 801 - R25 600												
R25 601 - R51 200												
R52 201 - R102 400												
R102 401 - R204 800												
R204 801 - R409 600												
R409 601 - R819 200												
> R819 200												
Poverty profiles (no. of households)	13											
< R2 060 per household per month												
Insert description	2											
Household/demographics (000)												
Number of people in municipal area												
Number of poor people in municipal area												
Number of households in municipal area												
Number of poor households in municipal area												

Description of economic indicator	Ref.	Basis of calculation	2001 Census	2007 Survey	2011 Census	2011/12	2012/13	2013/14	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Definition of poor household (R per month)												
Housing statistics	3											
Formal												
Informal												
Total number of households			-	-	-	-	-	-	-	-	-	-
Dwellings provided by municipality	4											
Dwellings provided by province/s												
Dwellings provided by private sector	5											
Total new housing dwellings			-	-	-	-	-	-	-	-	-	-
Economic	6											
Inflation/inflation outlook (CPIX)												
Interest rate - borrowing												
Interest rate - investment												
Remuneration increases												
Consumption growth (electricity)												
Consumption growth (water)												
Collection rates	7											
Property tax/service charges												
Rental of facilities & equipment												
Interest - external investments												
Interest - debtors												
Revenue from agency services												

Table 68 KZN263 SA32 – List of External Mechanisms

External mechanism Name of organisation	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
		Number			R thousand
Pure Magic			Refuse Removal		6 812
ADM Security			Security		5 919
RIS Motors			Car Rental		4 062
DDP Valuaers			Valuation Roll		360
Quantum Leap Investments			Grass cutting & cleaning		6 019
Shalom Security			Caretakers at dam		89
Itec			Office Machine Rental		344
Upward Spiral			Office Machine Rental		148
Yuretec			Office Machine Rental		162
G4S Cash Solutions			Cash Collection		313
Munsoft			IT Rental		673
Payday			Payroll Support		82
Total Client Services			Traffic Summons System		698
					1 365
Link Up Security			After Hours Monitoring		415
KD Electrical			Meter Reading		295
Municipal Incorp			Meter Reading		770
KEV			Meter Reading		820
Izingcweti Zomzansi Consultants			Responsible Electrical Person		950
Wesbank Vehicle Hire			Car Rental		
Brandfin			Speed Fine Machine Rental		155

Our Ref.:
Your Ref.

Enquiries:
Dept.: Finance



✉ 57, VRYHEID 3100

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QUALITY CERTIFICATE

I, **NN SIBISI**, Acting Municipal Manager of **ABAUQULUSI MUNICIPALITY**, hereby certify that: (mark as appropriate)

- ☐ The monthly budget statement
- ☐ Quarterly report on the implementation of the budget and financial state of affairs to the municipality
- ☐ Mid-year budget and performance assessment
- ☒ Draft Medium Term Budget

For the Draft Medium Term Budget for 2015/2016 has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

NN SIBISI
ACTING MUNICIPAL MANAGER
ABAUQULUSI MUNICIPALITY
KZN263

SIGNATURE: _____

DATE: _____